

DO NOT CIRCULATE
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TITLE 11. MARYLAND SECURITIES ACT.

SUBTITLE 1. DEFINITIONS; SPECIFIC PROVISIONS.

§ 25. Definitions. When used in this subtitle, unless the context otherwise requires:

§ 1-101. DEFINITIONS.

(A) IN GENERAL.

IN THIS TITLE, THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) "Agent" means [any] AN individual other than a broker-dealer who represents a broker-dealer or issuer in effecting or attempting to effect THE [purchases] PURCHASE or [sales] SALE of securities. "Agent" does not include an individual who represents an issuer in:

(1) effecting [transactions] TRANSACTION in a security exempted by clause (1), (2), (3), (10), or (11) of § 26 (a), or (1), (2), (3), (10), OR (11) OF § 11-502(A);

(2) effecting [transactions] A TRANSACTION exempted by [§ 26 (b), or] § 11-502(B); OR

(3) affecting [transactions] A TRANSACTION

EXPLANATION: CAPITALS INDICATE NEW MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter stricken from existing law.

with AN existing [employees] EMPLOYEE, [partners] 46
PARTNER, or [directors] DIRECTOR of the issuer if no 47
commission or other remuneration is paid or given
directly or indirectly for soliciting any person in 48
[this] THE State.

(4) A partner, officer, or director of a 50
broker-dealer or issuer, or a person occupying a similar 51
status or performing similar functions, is an agent only 52
if he [otherwise] comes within this definition.

[(b)] (C) "Broker-dealer" means [any] A person 54
engaged in the business of effecting transactions in 55
securities for the account of others or for his own 56
account. "Broker-dealer" does not include:

(1) an agent[,]; 58

(2) an issuer[,]; 60

(3) a bank, savings institution, or trust 62
company[,]; or

(4) a person who has no place of business in 64
[this] THE State if:

[(A)] (i) he effects transactions in [this] 66
THE State exclusively with or through [(i)] the [issuers] 67

ISSUER of the securities involved in the transactions, 68
[(ii) other broker-dealers] ANOTHER BROKER-DEALER, or 69
[(iii) banks] A BANK, savings [institutions]
INSTITUTION, trust [companies] COMPANY, insurance 70
[companies] COMPANY, investment [companies] COMPANY as 71
defined in the Investment Company Act of 1940, A pension
or profit-sharing [trusts,] TRUST or other financial 72
[institutions] INSTITUTION or institutional [buyers] 73
BUYER, whether acting for [themselves] HIMSELF or as 74
[trustees,] TRUSTEE; or

[(b)] (ii) during any period of [twelve] 12 76
consecutive months he does not direct more than [fifteen] 77
15 offers to sell or buy into [this] THE State in any 78
manner to [persons] ANY PERSON other than those specified
in [clause (A)] ITEM (i), whether or not the offeror or 79
[any of the] AN [offerees] OFFEREE is [then] present in 80
[this] THE State.

[(c)] (D) "Commissioner" means the securities 82
commissioner, the principal executive officer of the 83
Division of Securities designated in [§ 30 of this
subtitle.] §11-505 OF THIS TITLE. 84

(e) "Guaranteed" means guaranteed as to payment of 86
principal, interest, or dividends.

(f) "Investment adviser" means [any] A person who, 88
for compensation, engages in the business of advising 89
others, either directly or through publications or 90
writings, as to the value of securities or as to the
advisability of investing in, purchasing, or selling 91
securities, or who, for compensation and as a part of a 92
regular business, issues or promulgates analysis or
reports concerning securities. "Investment adviser" does 93
not include:

(1) a bank, savings institution, or trust 95
company;

(2) a lawyer, accountant, engineer, or 97
teacher whose performance of these services is solely 98
incidental to the practice of his profession;

(3) a broker-dealer whose performance of 100
these services is solely incidental to the conduct of his 101
business as a broker-dealer and who receives no special
compensation for them; 102

(4) a publisher of any bona fide newspaper, 104
news magazine, or business or financial publication of 105
general, regular, and paid circulation;

(5) a person whose advice, analyses, or 107

reports relate only to securities exempted by [§ 26 (a)
(1)] § 11-502(A) (1):

(6) a person who has no place of business in
[this] THE State if:

[(A)] (i) his only clients in [this] THE
State are other investment advisers, broker-dealers,
banks, savings institutions, trust companies, insurance
companies, investment companies as defined in the
Investment Company Act of 1940, pension or profit-sharing
trusts, or other financial [institutions] INSTITUTION or
AN institutional [buyers] BUYER, whether acting for
[themselves] HIMSELF or as [trustees,] TRUSTEE; or

[(B)] (ii) during any period of [twelve] 12
consecutive months he does not direct business
communications into [this] THE State in any manner to
more than five clients other than those specified in
[clause (A)] ITEM (i), whether or not he or any [of the
persons] PERSON to whom the communications are directed
is then present in [this] THE State; or

(7) [such] ANY other [persons] PERSON not
within the intent of this [paragraph] SUBSECTION as the
Commissioner may by rule or order designate.

an offer to buy, a security or interest in a security for value. 150

§(i) (J) "Person" means an individual, a 152
corporation, a partnership, an association, a joint-stock 153
company, a trust where the interests of the beneficiaries 154
are evidenced by a security, an unincorporated
organization, a government, or a political subdivision of 155
a government.

§(j) (1) (K) "Sale" or "sell" includes every 157
contract of sale of, contract to sell, or disposition of, 158
a security or interest in a security for value. 159

§(k) (L) "Securities Act of 1933," "Securities 161
Exchange Act of 1934," "Public Utility Holding Company 162
Act of 1935," and "Investment Company Act of 1940" mean 163
the federal statutes of those names [as amended before or
after June 1, 1962]. 164

§(1) (M) "Security" means any note[,], stock[,], 166
treasury stock[,], bond[,], debenture[,], evidence of 167
indebtedness[,], certificate of interest, or 168
participation in any:

(1) profit-sharing agreement; 170

(2) collateral-trust certificate; 172

(3) preorganization certificate or	174
subscription;	
(4) transferable share;	176
(5) investment contract;	178
(6) voting-trust certificate;	180
(7) certificate of deposit for a security;	182
(8) certificate of interest or participation	184
in an oil, gas, or mining title or lease or in payments	185
out of production under [such a] THE title or lease;	186
or[.]	
(9) [in general,] any interest or instrument	188
[commonly] known as a "security," or [any] A certificate	189
of interest or participation in, temporary or interim	190
certificate for, receipt for, guarantee of, or warrant or	
right to subscribe to or purchase, any of the [foregoing]	191
PRECEDING. "Security" does not include any insurance or	192
endowment policy or annuity contract under which an	193
insurance company promises to pay money either in a lump	
sum, [or] periodically for life, or some other specified	194
period.	
[(n)] (N) "State" means any state, territory, or	196

possession or the United States, the District of Columbia, and Puerto Rico. 197

§(j) (6) (i) The terms defined in this subsection] SUBTITLE do not include: 199

§(A) (1) any bona fide pledge or loan; 201

§(B) (2) any stock dividend, whether the corporation distributing the dividend is the issuer of the stock or not, if nothing of value is given by stockholders for the dividend other than the surrender of a right to a cash or property dividend when each stockholder may elect to take the dividend in cash, [or] property, or in stock; 203 204 205 206 207

§(C) (3) any act incident to a class vote by stockholders, [pursuant to] UNDER the certificate of incorporation or the applicable corporation statute, on a merger, consolidation, reclassification of securities, or sale of corporate assets in consideration of the issuance of securities of another corporation; or 209 210 211 212 213

§(D) (4) any act incident to a judicially approved reorganization in which a security is issued in exchange for one or more outstanding securities, claims, or property interests, or partly in [such] exchange and 215 216 217

partly for cash.

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REVISOR'S NOTE: This section presently appears as
Art. 32A, § 25.

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subsection (a) is the standard introductory
language to a definition section.

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In subsection (f) (7) the word "any" is
substituted for the word "such."

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In subsection (g) the words "those dealing
with" are substituted for the word "that." In
subsection (g) (1) the word "under" is
substituted for the words "pursuant to."

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In subsection (g) (2) the word "the" is
substituted for the word "such."

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subsection (j) presently appears as Art. 32A,
§25(i).

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In subsection (o) (3) the word "under" is
substituted for the words "pursuant to."

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The only other changes are in punctuation,
internal cross references, and style.

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11-102. SPECIFIC PROVISIONS.	250
(A) LIMITATION OF FRAUD, DECEIT, AND DEFRAUD.	258
§25 (d)] "Fraud," "deceit," and "defraud" are not limited to common-law deceit.	260
(B) SECURITIES GIVEN WITH OR AS BONUS FOR PURCHASE OF SECURITIES.	262
§(j) (3)] Any security given or delivered with, or as a bonus [on account of, any] BECAUSE OF A purchase of securities or any other thing is considered to constitute part of the subject of the purchase and to have been offered and sold for value.	264 265 266 267
(C) GIFT OF ASSESSABLE STOCK.	269
§(j) (4)] A purported gift of assessable stock is considered to involve an offer and sale.	271 272
(D) SALE OR OFFER OF A WARRANT OR RIGHT.	274
§(j) (5)] Every sale or offer of a warrant or right to purchase or subscribe to another security of the same or another issuer, [as well as] INCLUDING every sale or offer of a security which gives the holder a present or future right or privilege to convert into another security of the same or another issuer, is considered to	276 277 278 279 280

include an offer of the other security.	280
REVISOR'S NOTE: This section presently appears as Art. 32A, § 25(d), (j) (3), (4), and (5). Catchlines are added to each subsection.	285 286
In subsection (b) the words "because of a" are substituted for "on account of, any."	290
In subsection (d) the word "including" is substituted for "as well as."	294
The only other changes are in style.	298
SUBTITLE 2. FRAUDULENT AND OTHER PROHIBITED PRACTICES.	301
11-201. [(32A § 13).] Offers, sales, or purchases.	304
It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly:	306 307
(1) To employ any device, scheme, or artifice to defraud[,]:	309
(2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading[,]; or	311 312 313
(3) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit [upon] ON any person.	315 316

REVISOR'S NOTE: This section presently appears as 321
Art. 32A, §13.

In item (3) the word "on" is substituted for 325
the word "upon."

This section is an omnibus section that gives 329
the Security Exchange Commissioner the right 330
of action. For the provisions giving a
private citizen the right of action see 331
§11-508.

The only changes are technical changes in 335
punctuation.

11-202. [(32A § 14).] Advisory activities. 339

(a) FRAUD AND DECEIT. 341

It is unlawful for any person who receives any 343
consideration from another person primarily for advising 344
the other person as to the value of securities or their 345
purchase or sale, whether through the issuance of
analyses, [or] reports, or otherwise[,]: 346

(1) To employ any device, scheme, or artifice 348
to defraud the other person[,]: or

(2) To engage in any act, practice, or course 350
of business which operates or would operate as a fraud or 351
deceit [upon] ON the other person.

(b) EXTENSION OF AN INVESTMENT ADVISORY CONTRACT. 353

It is unlawful for any investment advisor to enter 355

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partnership, no assignment of an investment advisory 377
contract is considered to result from the death or
withdrawal of a minority of the members of the investment 378
adviser having only a minority interest in the business 379
of the investment adviser, or from the admission to the 380
investment adviser of one or more members who, after
admission, will be only a minority of the members and 381
will have only a minority interest in the business. 382

(c) TAKING OR HAVING CUSTODY OF ANY SECURITIES OR 384
FUNDS OF A CLIENT.

It is unlawful for any investment adviser to take or 386
have custody of any securities or funds of any client 387
if[,]:

(1) The Commissioner by rule prohibits 389
custody; or

(2) In the absence of rule, the investment 391
adviser fails to notify the Commissioner that he has or 392
may have custody.

REVISOR'S NOTE: This section presently appears as 397
Art. 32A, §14. Catchlines are added.

Throughout this section the word "on" is 401
substituted for the word "upon."

The only other changes are technical changes 405
in punctuation and style.

SUBTITLE 3. REGISTRATION OF BROKER-DEALERS AND AGENTS. 409

21-301. [(32A § 15).] Registration requirement. 412

(a) Transaction of business by unregistered person 414
unlawful.[-]

It is unlawful for any person to transact business 416
in [this] THE State as a broker-dealer or agent unless he 417
is registered under this [subtitle] TITLE. 418

(b) Agent required to be registered.[-] 420

It is unlawful for any broker-dealer or issuer to 422
employ an agent unless the agent is registered. When an 423
agent terminates a connection with a broker-dealer or 424
issuer, or terminates those activities which make him an
agent, the agent as well as the broker-dealer or issuer 425
shall promptly notify the Commissioner.

(c) Expiration and renewal.[-] 427

Unless sooner terminated under other provisions of 429
this [subtitle] TITLE, [all registrations] EACH 430
REGISTRATION of broker-dealers and agents shall expire on 431
October [31st] 31 of each year; provided, however, that
[all such registrations] EACH REGISTRATION in effect on 432
October 31, 1968, shall remain in effect, without renewal 433

or the payment of any additional registration fee, until 434
October 31, 1969 unless sooner terminated under other
provisions of this [subtitle] ^{TITLE} 435

(d) Agent terminating connection with 437
broker-dealer; beginning connection with another 438
broker-dealer.[-] 439

Every registration of an agent expires when the 440
agent terminates his connection with a broker-dealer 441
registered under this [subtitle] TITLE or with an issuer. 442
When [such a] THE person who is currently registered as
an agent under this [subtitle] TITLE begins a connection 443
with another broker-dealer or issuer, he shall file an 444
application for initial registration as provided in [§ 445
16(a)] §11-302(A) and shall pay the filing fee prescribed
by [§ 16(b)] 11-302(B). Unless the Commissioner takes 446
action under [§ 18 hereof] §11-304 OF THIS TITLE to deny 447
or suspend [such] THE registration, the [said] agent 448
registration shall become effective [thirty] 30 days 449
after receipt of the application by the Commissioner and
shall continue in effect until it expires under the 450
provisions of subsection (c) [hereof] OF THIS SECTION, or 451
under the provisions of this subsection, whichever would 452
earlier occur. The Commissioner shall be empowered to
waive the [thirty-day] 30 DAY period or any portion 453

[thereof] OF IT at his discretion.

REVISOR'S NOTE: This section presently appears as
Art. 32A, §15.

In subsection (d) the words "of this section"
are substituted for the word "hereof"; the
word "the" is substituted for the word "such";
the words "of it" are substituted for the word
"thereof."

Cross references are conformed.

The only other changes are technical changes
in punctuation and style.

11-302. [(32A § 16).] Registration procedure.

(a) Application; effective date of registration;
renewal registration.[-]

(1) A Broker-dealer or agent may obtain an
initial registration by filing with the Commissioner an
application together with a consent to service of process
[pursuant to § 33(g)] UNDER §11-514(G). The application
shall contain whatever information the Commissioner by
rule requires concerning [such] matters as:

(i) the applicant's form and place of
organization;

(ii) the applicant's proposed method of doing
business;

(iii) the qualifications and business history

of the applicant and, in the case of a broker-dealer, any 490
partner, officer, or director, any person occupying a 491
similar status or performing similar functions, or any
person directly or indirectly controlling the 492
broker-dealer;

(iv) any injunction or administrative order or 494
conviction of a misdemeanor involving a security or any 495
other aspect of the securities business and any 496
conviction of a felony; and

(v) the applicant's financial condition and 498
history. The Commissioner at his discretion may publish 499
an announcement of the applicants for registration in 500
[such] THE newspapers [as] he determines. If no denial
order is in effect and no proceeding is pending under [§ 501
18] §11-304, registration becomes effective at noon of 502
the [thirtieth] 30TH day after an application is filed. 503
The Commissioner may by rule or order specify an earlier
effective date, and he may by order defer the effective 504
date until noon of the [thirtieth] 30TH day after the 505
filing of any amendment.

(2) A broker-dealer may obtain a renewal 507
registration by filing with the Commissioner an 508
application containing whatever information the

Commissioner by rule requires to keep current the
information contained in the application for initial
registration. A broker-dealer or issuer may obtain a
renewal registration for the agents associated with it by
filing with the Commissioner an application containing
the names of the agents associated with it and a
certification that, to the best knowledge, information
and belief of [such] THE broker-dealer or issuer, there
has been no change in the information contained in [such]
THE agents' applications for the registration then
currently in effect, or if there has been any such
change, specifying the same. Every application for
renewal registration shall become effective on the date
it is received by the Commissioner or [upon] ON the
expiration of the previous registration, whichever is
later.

(b) Filing fee. [-] 521

Every applicant for initial or renewal registration
as a broker-dealer shall pay a filing fee of [\$75.00]
\$75. Every applicant for initial or renewal
registration as an agent shall pay a filing fee of
[\$15.00] \$15 except that a partner, officer, or director
of a broker-dealer applying for initial or renewal
registration as an agent of [such] THE broker-dealer

shall pay a filing fee of [~~\$2.00~~] \$2. When application 528
is denied or withdrawn, the Commissioner shall retain one 529
half of the fee. The maximum initial or renewal 530
registration filing fees payable with the application of
any broker-dealer and its agents shall be [~~\$500.00~~] \$500, 531
regardless of the number of agents affiliated with [such] 532
THE broker-dealer. In addition, each agent application 533
received at a time other than the initial or renewal
registration filed by a broker-dealer will require a 534
prescribed filing fee of [~~\$15.00~~] \$15. 535

(c) Registration of successor.[-] 537

A registered broker-dealer may file an application 539
for registration of A successor, whether or not the 540
successor is then in existence, for the unexpired portion 541
of the year. There shall be no filing fee.

(d) Net capital; aggregate indebtedness.[-] 543

Any broker-dealer registered in [this] THE State 545
shall have and maintain A net capital of not less than 546
\$15,000, and no such broker-dealer, [() other than one who 547
deals exclusively in securities exempt under [§§ 26 (a)
(1) or 26 (a) (2)] §§ 11-502(A) (1) OR 11-502(A) (2) of 548
this [subtitle)] TITLE, shall permit his aggregate 549
indebtedness to all other persons to exceed 2,000 per 550

centum] PERCENT of his net capital. The terms 550
"aggregate indebtedness" and "net capital" shall be 551
defined by rule of the Commissioner.

(e) Surety bond.[-] 553

The Commissioner may by rule require registered 555
broker-dealers and agents to post surety bonds in amounts 556
up to [ten thousand dollars] \$10,000, conditioned that 557
the registrant will comply with the provisions of this
[subtitle] TITLE and the rules and regulations issued 558
[pursuant thereto] UNDER THIS TITLE. / [Such] THE bond may 559
be [so] drawn to cover the original registration and any 560
renewals [thereof] OF THE REGISTRATION. Any appropriate
deposit of cash or security shall be accepted in lieu of 561
[any such] THE bond. / Every bond shall provide that no 562
suit may be maintained to enforce any liability [thereon] 563
ON THE BOND unless brought within two years after the 564
contract of sale or other act upon which [such] THE suit
is based and shall also provide that the liability of the 565
surety on each [such] bond to [all persons] EACH PERSON 566
aggrieved shall in no event exceed in the aggregate the 567
penal sum [thereof].

REVISOR'S NOTE: This section presently appears as 572
Art. 32A, 310.

In subsection (a) (1) the word "under" is 570

changed to the words "pursuant to" and the word "such" is deleted.

In subsection (a) (1) (v) the word "the" is substituted for the word "such," and the word "as" is deleted.

In Item (a) (2) the words "in the agents" are substituted for "in such agents"; and the word "the" is substituted for the words "such broker dealer."

In the second and fourth sentences of subsection (b) the word "the" is substituted for the word "such."

In subsection (c) the word "on" is substituted for the word "upon." 596

In the first sentence of subsection (e) the words "under this title" are substituted for the word "thereto." In the second sentence the word "the" is substituted for the word "such"; the word "sc" is deleted; the words "of the registraticn" are substituted for the word "thereof"; the word "the" is substituted for the words "any such." In the fourth sentence the words "on the bond" are substituted for the word "thereon"; the phrase "with the suit" is substituted for "with such suit"; the phrase "on each such bond" is changed to read "on each bond." The last word "thereof" is deleted.

The only other changes are technical changes in punctuation and style. 511

21-303. (32A § 17). Post-registration provisions. 615

(a) Records to be kept by broker-dealer.[-] 617

Every registered broker-dealer shall make and keep
[such] THE accounts, correspondence, memoranda, papers,
books, and other records [as] the Commissioner by rule

prescribes. All records so required shall be preserved 621
for three years unless the Commissioner by rule 622
prescribes otherwise for particular types of records. 623

(b) Financial reports.[-] 625

Every registered broker-dealer shall file [such] THE 627
financial reports [as] the Commissioner by rule 628
prescribes.

(c) Correcting information filed with 630
Commissioner.[-]

If the information contained in any document filed 632
with the Commissioner is or becomes inaccurate or 633
incomplete in any material respect, the registrant
PROMPTLY shall [promptly] file a correcting amendment 634
unless notification of the correction has been given 635
under [§ 15 (b)] §11-301(B).

(d) Examination of records.[-] 637

All the records referred to in subsection (a) are 639
subject at any time or from time to time to [such] 640
reasonable periodic, special, or other examinations by 641
representatives of the Commissioner, within or without
[this] THE State, as the Commissioner [deems] CONSIDERS 642
necessary or appropriate in the public interest or for 643

the protection of investors. For the purpose of
avoiding unnecessary duplication of examinations, the
Commissioner, insofar as he [deems] CONSIDERS it
practicable in administering this subsection, may
cooperate with the securities administrators of other
states, the Securities and Exchange Commission, and any
national securities exchange or national securities
association registered under the Securities Exchange Act
of 1934.

REVISOR'S NOTE: This section presently appears as
Art. 32A, §17.

In subsections (a) and (b) the word "the" is
substituted for the word "such" and the word
"as" is deleted.

In subsection (c) the phrase "registrant
promptly shall" is substituted for "registrant
shall promptly." This is done to conform to
style guidelines.

In subsection (d) the word "the" is
substituted for the word "such" and the word
"considers" is substituted for the word
"deems."

Cross references are conformed.

The only other changes are technical changes
in punctuation and style.

11-304. [(32A § 18).] Denial, revocation, suspension,
cancellation, and withdrawal of registration.

(a) Grounds for denial, suspension, or
revocation.[-]

The Commissioner may by order deny, suspend, or
revoke any registration if he finds [(1)] that the order
is in the public interest and [(2)] that the applicant,
[or] registrant or, in the case of a broker-dealer, any
partner, officer, or director, any person occupying a
similar status or performing similar functions, or any
person directly or indirectly controlling the
broker-dealer:

[(A)] (1) Has filed an application for
registration which as of its effective date, or as of any
date after filing in the case of an order denying
effectiveness, was incomplete in any material respect or
contained any statement which was, in light of the
circumstances under which it was made, false or
misleading with respect to any material fact;

[(B)] (2) Has willfully violated or willfully
failed to comply with any provisions of this [subtitle]
TITLE, [or] a predecessor act, or any rule or order under
this [subtitle] TITLE or a predecessor act;

[(C)] (3) Has been convicted of a felony,
infamous crime, or other crime involving moral turpitude;

[(D)] (4) Is permanently or temporarily
enjoined by any court of competent jurisdiction from

engaging in or continuing any conduct or practices 704
involving any aspect of the securities business; 705

[(E)] (5) Is the subject of an order of the 707
Commissioner denying, suspending, or revoking 708
registration as a broker-dealer or agent;

[(F)] (6) Is the subject of an order entered 710
within the past five years by the securities 711
administrator of any other state or by the Securities and 712
Exchange Commission denying or revoking registration as a
broker-dealer or agent, or the substantial equivalent of 713
those terms as defined in this [subtitle] TITLE, or is 714
suspended or expelled from a national securities exchange 715
or national securities association registered under the
Securities Exchange Act of 1934 either by action of a 716
national securities exchange or national securities 717
association, the effect of which action has not been
stayed by appeal or otherwise, or by order of the 718
Securities and Exchange Commission, or is the subject of 719
a United States [post-office] ECST OFFICE fraud order; 720
but:

(i) the Commissioner may not institute a 722
revocation or suspension proceeding under [clause (F)] 723
ITEM (6) more than one year from the date of the order or 724

action relied on[.]; and

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(ii) he may not enter an order under [clause
(F)] ITEM (6) on the basis of an order under another
state act unless that order was based on facts which
would currently constitute a ground for an order under
this section[.];

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[(G)] (7) Has engaged in dishonest or
unethical practices;

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[(H)] (8) Is insolvent, either in the sense
that his liabilities exceed his assets or in the sense
that he cannot meet his obligations as they mature; but
the Commissioner may not enter an order against a
broker-dealer under this [clause] ITEM without a finding
of insolvency as to the broker-dealer; or

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[(I)] (9) Is not qualified on the basis of
[such] factors as training, experience, and knowledge of
the securities business, except as otherwise provided in
subsection (b).

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The Commissioner may by order deny, suspend, or
revoke any registration if he finds [(1)] that the order
is in the public interest and [(2)] that the applicant or
registrant

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§(J) (10) Has failed [reasonably to 747
supervise] TO REASONABLY SUPERVISE his agents if he is a 748
broker-dealer; or

§(K) (11) Has failed to pay the proper 750
filing fee; but the Commissioner may enter only a denial 751
order under this [clause] ITEM, and he shall vacate [any 752
such] THE order when the deficiency has been corrected.

The Commissioner may not institute a suspension or 754
revocation proceeding on the basis of a fact or 755
transaction known to him when registration became
effective unless the proceeding is instituted within the 756
next [thirty] 30 days. 757

(b) Lack of qualifications.[-] 759

The following provisions govern the application of 761
§ 18 (a) (2) (I) | §11-304(A) (9):

(1) The Commissioner may not enter an order 763
against a broker-dealer on the basis of the lack of 764
qualification of any person other than [(A)] the
broker-dealer himself, if he is an individual, or [(B)] 765
an agent of the broker-dealer[.]; 766

(2) The Commissioner may not enter an order 768
solely on the basis of lack of experience if the 769

Applicant or registrant is qualified by training ~~in~~ or 771
knowledge of securities, or both[.];

(3) The Commissioner shall consider that an 773
agent who will work under ~~the~~ supervision of a registered 774
broker-dealer need not have the same qualifications ~~as~~ a 775
broker-dealer[.];

(4) The Commissioner may by rule provide for 777
an examination, which may ~~be~~ written, [or] oral, or both, 778
to be taken by any class of or all applicants.

(c) Summary postponement or suspension.[-] 780

The Commissioner [may] by order ~~MAY~~ summarily 782
postpone or suspend registration ~~pending~~ final 783
determination of any proceeding under this section.
[Upon] ~~ON~~ the entry of the order, the Commissioner 784
[shall] promptly SHALL ~~Notify~~ the applicant or 785
registrant, as well as the employer or prospective
~~employer~~ if the applicant or registrant is an agent, that 786
it has been entered ~~and~~ of the reasons [therefor] ~~FOR ITS~~ 787
ENTRY and that within [fifteen] ~~15~~ days after the receipt 788
of a written request the matter will be set down ~~for~~ 789
hearing. If no hearing is requested and none is ordered
by the Commissioner, ~~the~~ order will remain in effect 790
until it is modified or vacated by the Commissioner. ~~If~~ a 791

hearing is requested or ordered, the Commissioner, after 790
notice and opportunity for hearing, may modify or vacate 791
the order or extend it until final determination. 792

(d) Cessation of business, mental incompetence, 794
etc.[-]

If the Commissioner finds that any registrant or 796
applicant for registration is no longer in existence, 797
[or] has ceased to do business as a broker-dealer, or 798
agent, [or] is subject to an adjudication of mental
incompetence or to the control of a committee, 799
conservator, or guardian, or cannot be located after 800
reasonable search, the Commissioner may by order cancel
the registration or application. 801

(e) Withdrawal from registration.[-] 803

Withdrawal from registration as a broker-dealer or 805
agent becomes effective [thirty] 30 days after receipt of 806
an application to withdraw or within [such] THE shorter 807
period of time [as] the Commissioner may determine,
unless a revocation or suspension proceeding is pending 808
when the application is filed or a proceeding to revoke, 809
[or] suspend, or to impose conditions [upon] ON the 810
withdrawal is instituted within [thirty] 30 days after
the application is filed. If a proceeding is pending or 811

instituted, withdrawal becomes effective at [such] THE 812
time and [upon such] ON THE conditions [as] the 813
Commissioner by order determines. If no proceeding is
pending or instituted and withdrawal automatically 814
becomes effective, the Commissioner may [nevertheless]
institute a revocation or suspension proceeding under [§ 815
18 (a) (2) (B)] § 11-304 (A) (2) within one year after 816
withdrawal became effective and enter a revocation or 817
suspension order as of the last date on which
registration was effective. 818

(f) Prerequisites to order.[-] 820

No order may be entered under any part of this 822
section except the first sentence of subsection (c) 823
without:

(1) appropriate prior notice to the applicant 825
or registrant, [(as well as the employer or prospective 826
employer if the applicant or registrant is an agent),]; 827

(2) opportunity for hearing[,]; and 829

(3) written findings of fact and conclusions 831
of law.

(g) Fine for violation of subtitle.[-] 833

The Commissioner [shall], [upon] ON notice and 835
hearing as further defined by subsection (c) of this 836
section, SHALL have the right to fine any broker-dealer 837
or agent in an amount not to exceed [\$100.00] \$100 for
each and every violation of this subtitle. 838

REVISOR'S NOTE: This section presently appears as 843
Art. 32A, §18.

In item (a) (9) the word "such" is deleted. 847

In item (a) (10) the phrase "to reasonably 851
supervise" is substituted for the phrase
"reasonably to supervise." 852

In item (a) (11) the word "the" is substituted 856
for the words "any such."

In the first sentence of subsection (c) the 860
phrase "by order may" is substituted for the 861
phrase "may by order." In the second
sentence, the phrase "promptly shall" is 862
substituted for the phrase "shall promptly,"
and the words "for its entry" are substituted 863
for the word "therefor."

In the first sentence of subsection (e) the 867
word "the" is substituted for the word "such" 868
and the word "as" is deleted. In the second
sentence the word "the" is substituted for the 869
word "such" everywhere it appears and the word
"nevertheless" is deleted. 870

The word "on" is substituted for the word 874
"upon" everywhere it appears.

Cross references are conformed. 876

The only other changes are technical changes 880
in punctuation, and style.

SUBTITLE 4. REGISTRATION OF SECURITIES. 894

11-401. [(32A § 19).] Registration requirement. 886

It is unlawful for any person to offer or sell any security in [this] THE State unless: 888
889

(1) [it] IT is registered under this [subtitle,] TITLE; or 891

(2) [the] THE security or transaction is exempted under [§ 26] §11-502. 893

REVISOR'S NOTE: This section presently appears as Art. 32A, §19. The only changes are in cross references, nomenclature, and style. 898
899

11-402. [(32A § 20).] Registration by notification. 902

(a) Securities which may be registered by notification. 904

The following securities may be registered by notification, whether or not they are also eligible for registration by coordination under [§ 21] §11-403: 906
907
908

(1) Any security whose issuer and any [predecessors] PREDECESSOR have been in continuous operation for at least five years if: 910
911

(A) (i) [there] THERE has been no default during the current fiscal year or within the three preceding fiscal years in the payment of principal, interest, or 913
914
915

dividends on any security of the issuer, () or any
predecessor()], with a fixed maturity or a fixed interest
or dividend provision(); and

[(B)] (ii) [the] THE issuer and any [predecessors]
PREDECESSOR during the past three fiscal years have had
average net earnings, determined in accordance with
generally accepted accounting practices();

[(i)] 1. [which] WHICH are applicable to [all
securities] EVERY SECURITY without a fixed maturity or a
fixed interest or dividend provision outstanding at the
date the registration statement is filed and equal at
least five percent of the amount of [such] THE
outstanding securities, () as measured by the maximum
offering price or the market price on a day selected by
the registrant, within [thirty] 30 days before the date
of filing the registration statement, whichever is
higher, or book value on a day, selected by the
registrant, within [ninety] 90 days of the date of filing
the registration statement to the extent that there is
neither a readily determinable market price nor a cash
offering price(); or

[(ii)] 2. [which] WHICH, if the issuer and any
[predecessors have] PREDECESSOR HAS not had any security

of the type specified in [clause (i)] THIS SUBSECTION 936
outstanding for three full fiscal years, equal at least 937
[five] 5 percent of the amount, [()as measured in [clause
(i)]] THIS SUBSECTION of [all securities] EVERY SECURITY 938
which will be outstanding if [all the securities] EVERY 939
SECURITY being offered or proposed to be offered, 940
[()whether or not they are proposed to be registered or 941
offered in [this] THE State, ()] are issued;

(2) Any security, [()other than a certificate of 943
interest or participation in an oil, gas, or mining title 944
or lease or in payments out of production under such a 945
title or lease, ()] registered for nonissuer distribution
if:

[(A)] (i) [any] ANY security of the same class has 947
ever been registered under this [subtitle,] TITLE; or 948

[(B)] (ii) [the] THE security being registered was 950
originally issued pursuant to an exemption under this 951
[subtitle] TITLE.

(b) Information to be contained in registration 953
statement; accompanying documents.

A registration statement under this section shall 955
contain the following information and be accompanied by 956

the following documents in addition to the information specified in [§ 23 (c)] §11-405(C) and the consent to service of process required by [§ 38 (g)] §11-514(G):	957 959
(1) A statement demonstrating eligibility for registration by notification;	960
(2) With respect to the issuer and any significant subsidiary:	962
(i) Its name, address, and form of organization;	964
(ii) [the] THE state, [(]or foreign jurisdiction[)], and the date of its organization; and	966 967
(iii) [the] THE general character and location of its business;	969
(3) With respect to any person on whose behalf any part of the offering is to be made in a nonissuer distribution:	971 972
(i) His name and address;	974
(ii) [the] THE amount of securities of the issuer held by him as of the date of the filing of the registration statement; and	976 977
(iii) [a] A statement of his [reasons] REASON for	979

making the offering;	979
(4) A description of the security being registered;	981
(5) The information and documents specified in [clauses] ITEMS (2), (4), (7), (8), (9), (10), and (12) of [§ 22 (b)] §11-404(B);	983 984
(6) A balance sheet of the issuer as of a date within four months [prior to ^{BEFORE} the filing of the registration statement, and a summary of earnings for each of the two fiscal years preceding the date of the balance sheet and for any period between the close of the last fiscal year and the date of the balance sheet, or for the period of [the issuer's and any predecessors' existence] EXISTENCE OF THE ISSUER AND ANY PREDECESSOR if less than two years; and	986 987 988 989 990 991 992
(7) Three copies of the prospectus required by subsection (c) of this section.	994
(c) Prospectus.	996
As a condition of registration under this section, a prospectus containing any designated part of the information specified in subsection (b) shall be sent or given to each person to whom an offer is made before or concurrently with:	998 999 1000 1001

- (1) [the] THE first written offer to him, 1003
[(otherwise] OTHER than by means of a public 1004
advertisement,[] by or for the account of the issuer or 1005
any other person on whose behalf the offering is being
made, or by any underwriter or broker-dealer who is 1006
offering part of an unsold allotment or subscription 1007
taken by him as a participant in the distribution[,];
- (2) [the] THE confirmation of any sale made by or 1009
for the account of [such] THE person[,]; 1010
- (3) [payment pursuant to any such] PAYMENT UNDER THE 1012
sale[,]; or
- (4) [delivery] DELIVERY of the security [pursuant to 1014
any such] UNDER THE sale, whichever first occurs; 1015
provided, however, that [clause] ITEM (1) may be 1016
satisfied by the use of a preliminary prospectus, so
designated and bearing [such] THE legend [as] THAT the 1017
Commissioner may prescribe, if a final prospectus is sent 1018
or given to each recipient of the preliminary prospectus 1019
before or concurrently with whichever event in [clauses]
ITEMS (2), (3), and (4) first occurs. 1020
- (d) Effective date of registration statement. 1022
- If no stop order is in effect and no proceeding is 1024

pending under [§ 24] §11-406, a registration statement 1025
under this section automatically becomes effective at 1026
three o'clock eastern standard time in the afternoon of
the tenth full business day after the filing of the 1027
registration statement or the last amendment, or at 1028
[such] THE earlier time [as] THAT the Commissioner
determines. 1029

REVISOR'S NOTE: This section presently appears as 1034
Art. 32A, §20. In items (c) (3) and (4) the 1035
word "under" is substituted for the phrase
"pursuant to any such." 1036

In item (b) (6) the phrase "existence of the 1040
issuer and any predecessor" is substituted for 1041
the phrase "the issuer's and any predecessor's
existence."

In subsection (c) (1) the word "other" is 1045
substituted for "otherwise." In item (2) the 1046
word "the" is substituted for "such." In item 1047
(3) the phrase "payment under the" is
substituted for the phrase "payment to any
such." In item (4) the words "under the" are 1048
substituted for "pursuant to any such," and 1049
the words "such" and "as" are deleted.

In subsection (d) the word "that" is 1053
substituted for the word "as."

The only other changes are in nomenclature, 1057
punctuation, and style.

§11-403. (32A § 21). Registration by coordination. 1060

(a) Security for which registration statement has 1062
been filed under federal act.

Any security for which a registration statement has 1064

been filed under the Securities Act of 1933 in connection 1065
with the same offering may be registered by coordination. 1066

(b) Information to be contained in registration 1068
statement under section; accompanying documents. 1069

A registration statement under this section shall 1071
contain the following information and be accompanied by 1072
the following documents in addition to the information 1073
specified in [§ 23 (c)] §11-405(C) and the consent to
service of process required by [§ 38 (g)] §11-514(G): 1074

(1) Three copies of the latest form of prospectus 1076
filed under the Securities Act of 1933; 1077

(2) If the Commissioner by rule or otherwise 1079
requires, a copy of the articles of incorporation and 1080
bylaws, [(or their substantial equivalents)], currently
in effect, a copy of any agreements with or among 1081
underwriters, a copy of any indenture or other instrument 1082
governing the issuance of the security to be registered, 1083
and a specimen or copy of the security;

(3) If the Commissioner requests, any other 1085
information, or copies of any other documents, filed 1086
under the Securities Act of 1933; and

(4) An undertaking to forward all future amendments 1088

to the federal prospectus, other than an amendment which 1084
merely delays the effective date of the registration
statement, promptly and in any event not later than the 1085
first business day after the day they are forwarded to or 1091
filed with the Securities and Exchange Commission, 1092
whichever first occurs.

(c) Effective date of registration statement. 1094

A registration statement under this section 1096
automatically becomes effective at the moment the federal 1097
registration statement becomes effective if all the 1098
following conditions are satisfied:

(1) No stop order is in effect and no proceeding is 1100
pending under [§ 24] §11-406;

(2) [the] THE registration statement has been on 1102
file with the Commissioner for at least ten days; and 1103

(3) [a] A statement of the maximum and minimum 1105
proposed offering prices and the maximum underwriting 1106
discounts and commissions has been on file for two full 1107
business days or [such shorter period as] A SHORTER
PERIOD THAT the Commissioner permits by rule or otherwise 1108
and the offering is made within those limitations. The 1109
registrant PROMPTLY shall [promptly] notify the 1110

Commissioner by telephone or telegram of the date and 1111
time when the federal registration statement became 1111
effective and the content of the price amendment, if any, 1112
and PROMPTLY shall [promptly] file a post-effective
amendment containing the information and documents in the 1113
price amendment. / "Price amendment" means the final 1114
federal amendment which includes a statement of the 1115
offering price, underwriting and selling discounts or
commissions, amount of proceeds, conversion rates, call 1116
prices, and other matters dependent [upon] ON the 1117
offering price. [Upon] ON failure to receive the
required notification and post-effective amendment with 1118
respect to the price amendment, the Commissioner may 1119
enter a stop order, without notice or hearing,
retroactively denying effectiveness to the registration 1120
statement or suspending its effectiveness until 1121
compliance with this subsection, if he promptly notifies 1122
the registrant by telephone or telegram, [()]and promptly
confirms by letter or telegram when he notifies by 1123
telephone[], of the issuance of the order. If the 1124
registrant proves compliance with the requirements of 1125
this subsection as to notice and post-effective
amendment, the stop order is void as of the time of its 1126
entry. The Commissioner may by rule or otherwise waive 1127
either or both of the conditions specified in [clauses]

ITEMS (2) and (3). If the federal registration 1123
statement becomes effective before all the conditions in 1129
this subsection are satisfied and they are not waived,
the registration statement automatically becomes 1130
effective as soon as all the conditions are satisfied. 1131
If the registrant advises the Commissioner of the date 1132
when the federal registration statement is expected to
become effective, the Commissioner [shall] promptly SHALL 1133
advise the registrant by telephone or telegram, at the 1134
[registrant's] expense OF THE REGISTRANT, whether all the 1135
conditions are satisfied and whether he then contemplates
the institution of a proceeding under [§ 24] §11-406; but 1136
this advice by the Commissioner does not preclude the 1137
institution of [such a] THE proceeding at any time. 1138

(d) Security for which documents have been filed 1140
with Securities and Exchange Commission. 1141

Any security for which the documents required by any 1143
regulation adopted by the Securities and Exchange 1144
Commission under §3 (b) or §3 (c) of the Securities Act 1145
of 1933 have been filed with [said] THE Commission in
connection with the same offering may be registered by 1146
coordination [upon] ON compliance with subsections (b) 1147
and (c) of this section in [such manner as] THE MANNER 1148
the Commissioner by rule or by order may prescribe. /For 1149

purposes of this subsection, the terms "federal
registration statement" and "federal prospectus" shall
include the documents, [including the offering
circular, if any,] which may be filed with the
Securities and Exchange Commission [pursuant to] IN
ACCORDANCE WITH any such regulation.

REVISOR'S NOTE: This section presently appears as
Art. 32A, §21.

In the first sentence of subsection (c) (3) the
phrase "a shorter period than" is substituted
for the phrase "such shorter period as."

In the last sentence of subsection (c) (3) the phrase
"expense of the registrant" is substituted for
the phrase "registrant's expense; and the word
"the" is substituted for the word "such a."
Throughout item (c) (3) the words "promptly
shall" are substituted for the words "shall
promptly."

In subsection (B)(c) the word "before" is substituted for "prior to".
In the first sentence of subsection (d) the
word "the" is substituted for the word "said"
and the phrase "the manner" is substituted for
the phrase "such manner as." In the last
sentence of subsection (d) the phrase "in
accordance with" is substituted for the phrase
"pursuant to."

The only other changes are in nomenclature,
punctuation, and style.

21-404. [(32A § 22).] registration by qualification.

(a) Security which may be registered.

Any security may be registered by qualification.

(b) Information to be contained in registration

statement; accompanying documents. 1190

A registration statement under this section shall 1192
contain the following information and be accompanied by 1193
the following documents in addition to the information 1194
specified in [§ 23 (c)] §11-405(C) and the consent to
service of process required by [§ 38 (g)] §11-514(G): 1195

(1) With respect to the issuer and any significant 1197
subsidiary:

(i) Its name, address, and form of organization; 1199

(ii) [the] THE state or foreign jurisdiction and 1201
date of its organization;

(iii) [the] THE general character and location of 1203
its business;

(iv) [a] A description of its physical properties 1205
and equipment; and

(v) [a] A statement of the general competitive 1207
conditions in the industry or business in which it is or 1209
will be engaged;

(2) With respect to every director and officer of 1210
the issuer, or person occupying a similar status or 1211
performing similar functions:

(i) His name, address, and principal occupation for the past five years; 1214

(ii) [the] THE amount of securities of the issuer held by him as of a specified date within [thirty] 30 days of the filing of the registration statement; 1215
1216
1217

(iii) [the] THE amount of the securities covered by the registration statement to which he has indicated his intention to subscribe; and 1219
1220

(iv) [a] A description of any material interest in any material transaction with the issuer or any significant subsidiary effected within the past three years or proposed to be effected; 1222
1223
1224

(3) With respect to [persons] EVERY PERSON covered by [clause] ITEM (2): The remuneration paid during the past [twelve] 12 months and estimated to be paid during the next [twelve] 12 months, directly or indirectly, by the issuer, ([together with [all predecessors, parents, subsidiaries and affiliates,]) to all those persons] EVERY PREDECESSOR, PARENT, SUBSIDIARY AND AFFILIATE TO EVERY PERSON in the aggregate; 1226
1227
1228
1229
1230
1231

(4) With respect to any person owning of record, or beneficially it known, [ten] 10 percent or more of the 1233
1234

outstanding shares of any class of equity security or the 1235
issuer: The information specified in [clause] ITEM (2) 1236
other than his occupation;

(5) With respect to every promoter if the issuer 1238
was organized within the past three years: The 1239
information specified in [clause] ITEM (2), any amount 1240
paid to him within that period or intended to be paid to
him, and the consideration for [any such] THE payment; 1241

(6) With respect to any person on whose behalf any 1243
part of the offering is to be made in a nonissuer 1244
distribution:

(i) His name and address; 1246

(ii) [the] THE amount of securities of the issuer 1248
held by him as of the date of the filing of the 1249
registration statement;

(iii) [a] A description of any material interest in 1251
any material transaction with the issuer or any 1252
significant subsidiary effected within the past three
years or proposed to be effected; and 1253

(iv) [a] A statement of his reasons for making the 1255
offering;

(7) The capitalization and long-term debt, [()]on 1257
both a current and a pro forma basis, [] of the issuer 1258
and any significant subsidiary, including a description 1259
of each security outstanding, [or] being registered, or
otherwise offered, and a statement of the amount and kind 1260
of consideration [()]whether in the form of cash, physical 1261
assets, services, patents, goodwill, [or anything else()] 1262
for which the issuer or any subsidiary has issued any of
its securities within the past two years or is obligated 1263
to issue any of its securities;

(9) The kind and amount of securities to be 1265
offered; the proposed offering price or the method by 1266
which it is to be computed; any variation [therefrom]
FROM THE METHOD at which any proportion of the offering 1267
is to be made to any person or class of persons other 1268
than the underwriters, with a specification of any [such] 1269
person or class; the basis [upon] ON which the offering
is to be made if [otherwise] OTHER than for cash; the 1270
estimated aggregate underwriting and selling discounts or 1271
commissions and finders' fees, [()]including separately 1272
cash, securities, contracts, or anything else of value to
accrue to the underwriters or finders in connection with 1273
the offering[]], or, if the selling discounts or 1274
commissions are variable, the basis of determining them 1275

and their maximum and minimum amounts, the estimated 1275
amounts of other selling expenses, including legal, 1276
engineering, and accounting charges; the name and address 1278
of every underwriter and every recipient of a finder's 1279
fee; a copy of any underwriting or selling-group
agreement [pursuant to] UNDER which the distribution is 1280
to be made, or the proposed form of any [such] agreement 1281
whose terms have not yet been determined; and a
description of the plan of distribution of any securities 1282
which are to be offered otherwise than through an 1283
underwriter;

(9) The estimated cash proceeds to be received by 1285
the issuer from the offering; the purposes for which the 1286
proceeds are to be used by the issuer; the amount to be 1287
used for each purpose; the order or priority in which the
proceeds will be used for the purposes stated; the 1288
amounts of any funds to be raised from other sources to 1289
achieve the purposes stated; the names of [any such] THE 1290
funds; and, if any part of the proceeds is to be used to 1291
acquire any property, [(including goodwill,)] otherwise]
OTHER than in the ordinary course of business, the names 1292
and addresses of the vendors, the purchase price, the 1293
names of any persons, who have received commissions in 1294
connection with the acquisition, and the amounts of [any

such] THE commissions and any other expense in connection 1295
with the acquisition, [(including the cost of borrowing 1296
money to finance the acquisition)];

(10) A description of any stock options or other 1298
security options outstanding, or to be created in 1299
connection with the offering, together with the amount of 1300
[any such] THE options held or to be held by every person
required to be named in [clause] ITEMS (2), (4), (5), 1301
(6), or (8) and by any person who holds or will hold 1302
[ten] 10 percent or more in the aggregate of [any such] 1303
THE options;

(11) The dates of, parties to, and general effect 1305
concisely stated of every management or other material 1306
contract made or to be made [otherwise] OTHER than in the 1307
ordinary course of business if it is to be performed in 1308
whole or in part at or after the filing of the
registration statement or was made within the past two 1309
years, together with a copy of every [such] contract; and 1310
a description of any pending litigation or proceeding to
which the issuer is a party and which materially affects 1311
its business or assets, [(including any such litigation 1312
or proceeding known to be contemplated by governmental 1313
authorities)];

- (12) Three copies of the prospectus required by 1315
subsection (d) of this section, together with a copy of 1316
any other prospectus, pamphlet, circular, form letter, 1317
advertisement, or other sales literature intended as of
the effective date to be used in connection with the 1318
offering;
- (13) A specimen or copy of the security being 1320
registered; a copy of the [issuer's] articles of 1321
incorporation and bylaws OF THE ISSUER, or their
substantial equivalents, as currently in effect; and a 1322
copy of any indenture or other instrument covering the 1323
security to be registered;
- (14) A signed or conformed copy of an opinion of 1325
counsel as to the legality of the security being 1326
registered, [()with an English translation if it is in a 1327
foreign language()], which shall state whether the
security when sold will be legally issued, fully paid, 1328
and nonassessable, and, if a debt security, a binding 1329
obligation of the issuer;
- (15) The written consent of any accountant, 1331
engineer, appraiser, or other person whose profession 1332
gives authority to a statement made by him, if any such 1333
person is named as having prepared or certified a report

or valuation, [([)other than a public and official 1334
document or statement[)], which is used yn connection 1335
with the registration statement;

(16) A balance sheet of the issuer as of a date 1337
within four months [prior to] BEFORE the filing of the 1338
registration statement; a profit and loss statement and 1339
analysis of surplus for each of the three fiscal years
preceding the date of the balance sheet and for any 1340
period between the close of the last fiscal year and the 1341
date of the balance sheet, or for the period of the 1342
[issuer's and any predecessors'] existence OF THE ISSUER
AND ANY PREDECESSOR if less than three years; and, if any 1343
part of the proceeds of the offering is to be applied to 1344
the purchase of any business, the same financial
statements which would be required if that business were 1345
the registrant;

(17) [Such] ANY additional information [as] THAT 1347
the Commissicner requires by rule or order[; and]. 1348

(c) Effective date of registration statement. 1350

A registration statement under this section becomes 1352
effective when the Commissioner so orders. 1353

(d) Prospectus. 1355

As a condition of registration under this section, a 1357
prospectus containing any designated part of the 1358
information specified in subsection (b) shall be sent or 1359
given to each person to whom an offer is made before or
concurrently with:

(1) [the] THE first written offer made to him, 1361
[(otherwise] OTHER than by means of a public 1362
advertisement[)], by or for the account of the issuer or 1363
any other person on whose behalf the offering is being
made, or by any underwriter or broker-dealer who is 1364
offering part of an unsold allotment or subscription 1365
taken by him as a participant in the distribution[,];

(2) [the] THE confirmation of any sale made by or 1367
for the account of [any such] THE person[,]; 1368

(3) [payment] PAYMENT [pursuant to any such] UNDER 1370
THE sale[,]; or

(4) [delivery] DELIVERY of the security [pursuant to 1372
any such] UNDER THE sale, whichever first occurs; 1373
provided[, however,] that [clause] ITEM (1) may be 1374
satisfied by the use of a preliminary prospectus, so
designated and bearing [such] THE legend [as] THAT the 1375
Commissicner may prescribe, if a final prospectus is sent 1376
or given to each recipient of the preliminary prospectus 1377

before or concurrently with whichever event in [clauses]	1377
ITEMS (2), (3), and (4) first occurs.	1378
REVISOR'S NOTE: This section presently appears as Art. 32A, §22.	1383
In subsection (a) (1) the word "such" is deleted.	1387
In subsection (b) (3) the phrase "together with every predecessor, parent, subsidiary and affiliate to every person" is substituted for "all predecessors, parents, subsidiaries, and affiliates to all those persons."	1391 1392
In the first provision of subsection (b) (8) the phrase "from the method" is substituted for the word "therefrom."	1393 1397
In the second provision of subsection (b) (8) the word "such" is deleted and the word "on" is substituted for the word "upon."	1398 1402 1403
In the last provision of subsection (b) (8) the word "under" is substituted for the phrase "pursuant to"; and the word "other" is substituted for the word "otherwise."	1407 1408
In subsection (a) (9) the word "the" is substituted for the words "any such" everywhere they appear.	1409 1413
In subsection (a) (10) the word "the" is substituted for the words "any such" wherever it appears.	1417
In subsection (b) (11) the word "other" is substituted for the word "otherwise."	1421
In the first provision of subsection (b) (10) the word "such" is deleted; and "the" is substituted for the words "any such."	1425 1426
In subsection (b) (13) the word "issuer" is deleted and the phrase "of the issuer" is inserted after the word "bylaws."	1430 1431

In subsection (b) (16) the word "before" is substituted for the words "prior to," and the phrase "existence of the issuer and any predecessor" is substituted for the phrase "issuer's and any predecessors".	1435 1436 1437
In subsection (b) (17) the word "any" is substituted for the word "such"; the word "that" is substituted for the word "as"; and the word "and" is deleted.	1441 1442
In subsection (d) (1) the word "other" is substituted for the word "otherwise."	1446
In subsection (d) (2) the word "the" is substituted for the word "such."	1450
In subsection (d) (3) the words "under the" are substituted for the phrase "pursuant to any such."	1454
In subsection (d) (4) the phrase "in accordance with the" is substituted for the phrase "pursuant to any such." The word "the" is substituted for the word "such"; and the word "that" is substituted for the word "as."	1458 1459 1460
The only other changes are in nomenclature, punctuation, and style.	1464
11-405. [(32A § 23).] Provisions applicable to registration generally.	1467 1468
(a) Who may file registration statement.	1470
A registration statement may be filed by the issuer, any other person on whose behalf the offering is to be made, or a registered broker-dealer.	1472 1473
(b) Filing fee.	1475
Every person filing a registration statement shall	1477

pay a filing fee of one tenth of one percent of the 1478
maximum aggregate offering price at which the registered 1479
securities are to be offered in [this] THE State, but the 1480
fee shall [in no case] be IN NO CASE less than [\$25.00]
\$25 or more than [\$250.00] \$250. When a registration 1481
statement is withdrawn before the effective date or a 1482
preventive stop order is entered under [§ 24] §11-406,
the Commissioner shall retain [one] half of the fee. 1483

(c) Matters required to be specified in 1485
registraticn statement.

Every registration statement shall specify: 1487

(1) [the] THE amount of securities to be offered in 1489
[this] THE State;

(2) [the] THE states in which a registration 1491
statement of similar document in connection with the 1492
offering has been or is to be filed; and

(3) [any] ANY adverse order, judgment, or decree 1494
entered in cconnection with the offering by the regulatory 1495
authorities in each state, [or] by any court, or the 1496
Securities and Exchange Commission.

(d) Incorporation of document by reference. 1498

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Any document filed under this subtitle may be 1500
incorporated by reference in the registration statement 1501
to the extent the document is currently accurate.

(e) Permitting omission from registration 1503
statement. 1504

The Commissioner may by rule or otherwise permit the 1505
omission of any item of information or document from any 1506
registration statement.

(f) Effective period of registration statement; 1508
withdrawal of registration statement. 1509

Every registration statement is effective for any 1511
period during which the security is being offered or 1512
distributed in a nonexempted transaction by or for the 1513
account of the issuer or other person on whose behalf the
offering is being made or by any underwriter or 1514
broker-dealer who is still offering part of an unsold 1515
allotment or subscription taken by him as a participant
in the distribution, except during the time a stop order 1516
is in effect under [§ 24] §11-406. A registration 1517
statement may be withdrawn only in the discretion of the 1518
Commissioner.

(g) Reports by person filing registration 1520

statement. 1520

So long as a registration statement, registered by 1522
qualification or notification, is effective, the 1523
Commissioner may by rule or order require the person who
filed the registration statement to file reports, not 1524
more often than quarterly, to keep reasonably current the 1525
information contained in the registration statement and 1526
to disclose the progress of the offering.

(h) Amendment of registration statement to increase 1528
securities proposed to be offered.

A registration statement relating to a security 1530
issued by a face-amount certificate company or a 1531
redeemable security issued by an open-end management
company or unit investment trust, as those terms are 1532
defined in the Investment Company Act of 1940, may be 1533
amended after its effective date so as to increase the 1534
securities specified as proposed to be offered. [Such
an] THE amendment becomes effective when the Commissioner 1535
so orders. Every person filing [such an] THE amendment 1536
shall pay a filing fee, calculated in the manner 1537
specified in subsection (b), with respect to the
additional securities proposed to be offered. 1538

REVISOR'S NOTE: This section presently appears as 1543

Art. 32A, §23.	1543
In subsection (b) the phrase "be in no case" is substituted for the phrase "in no case be."	1547
In the last sentence of subsection (h) the word "the" is substituted for the words "such an."	1551
The only other changes are in the internal cross references, punctuation, and style.	1555
§11-406. [(32A § 24).] Denial, suspension, and revocation of registration.	1558
(a) Grounds for stop order.	1560
The Commissioner may issue a stop order denying effectiveness to, or suspending or revoking the effectiveness of, any registration statement if he finds [(1)] that the order is in the public interest and [(2)] that:	1562 1563 1564
[(A)] (1) The registration statement as of its effective date or as of any earlier date in the case of an order denying effectiveness, or any amendment under [§ 23 (h)] §11-405(H) as of its effective date, or any report under [§ 23 (g)] §11-405(G) is incomplete in any material respect or contains any statement which was, in the light of the circumstances under which it was made, false or misleading with respect to any material fact;	1566 1567 1568 1569 1570 1571
[(B)] (2) Any provision of this [subtitle] TITLE or	1573

any rule, order, or condition lawfully imposed under this 1574
[subtitle] TITLE has been willfully violated, in 1575
connection with the offering, by:

(i) [the] THE person filing the registration 1577
statement[,];

(ii) [the] THE issuer, any partner, officer, or 1579
director of the issuer, any person occupying a similar 1580
status or performing similar functions, or any person 1581
directly or indirectly controlling or controlled by the
issuer, but only if the person filing the registration 1582
statement is directly or indirectly controlled by or 1583
acting for the issuer[,]; or

(iii) [any] ANY underwriter; 1585

(C) (3) The security registered or sought to be 1587
registered is the subject of an administrative stop order 1588
or similar order or a permanent or temporary injunction 1589
of any court of competent jurisdiction entered under any
other federal or state act applicable to the offering; 1590
but:

(i) [the] THE Commissioner may not institute a 1592
proceeding against an effective registration statement 1593
under [clause (C)] ITEM (3) more than one year from the 1594

date of the order or injunction relied on[,]; and 1594

(ii) [he] HE may not enter an order under [clause 1596
(C)] ITEM (3) on the basis of an order or injunction 1597
entered under any other state act unless that order or 1598
injunction was based on facts which would currently
constitute a ground for a stop order under this section; 1599

[(D)] (4) The [issuer's enterprise or method of] 1601
business OF THE ISSUER includes or would include 1602
activities which are illegal where performed;

[(E)] (5) The offering has worked or tended to work 1604
a fraud [upon] ON purchasers or would so operate; 1605

[(F)] (6) When a security is sought to be 1607
registered by notification, it is not eligible for [such] 1608
THE registration;

[(G)] (7) When a security is sought to be 1610
registered by coordination, there has been a failure to 1611
comply with the undertaking required by [§ 21 (b) (4)] 1612
§11-403(F) (4); or

[(H)] (8) The applicant or registrant has failed to 1614
pay the proper filing fee; but the Commissioner may enter 1615
only a denial order under this [clause] ITEM and he shall 1616
vacate [any such] THE order when the deficiency has 1617

been] IS corrected. 1617

The Commissioner may not institute a stop-order 1619
proceeding against an effective registration statement on 1620
the basis of a fact or transaction known to him when the 1621
registraticn statement became effective unless the
proceeding is instituted within the next [thirty] 30 1622
days.

(b) Summary postponement or suspension. 1624

The Commissioner BY ORDER may [by order summarily] 1626
postpone or suspend SUMMARILY the effectiveness of the 1627
registration statement pending final determination of any 1628
proceeding under this section. [Upon] CN the entry of the 1629
order, the Commissioner PROMPTLY shall [promptly] notify
each person specified in subsection (c) that it has been 1630
entered and of the reasons [therefor] FOR THE 1631
POSTPONEMENT OR SUSPENSION and that within [fifteen] 15 1632
days after the receipt of a written request the matter
will be set down for hearing. If no hearing is 1633
requested and none is ordered by the Commissioner, the 1634
order will remain in effect until it is modified or
vacated by the Commissioner. /If a hearing is requested 1635
or ordered, the Commissioner, after notice of and 1636
opportunity for hearing to each person specified in

subsection (c), may modify or vacate the order or extend 1637
it until final determination.

(c) Prerequisites to stop order. 1639

No stop order may be entered under any part of this 1641
section except the first sentence of subsection (b) 1642
without:

(1) [appropriate] APPROPRIATE prior notice to the 1644
applicant or registrant, the issuer, and the person on 1645
whose behalf the securities are to be or have been 1646
offered[.];

(2) [opportunity] OPPORTUNITY for hearing[.]; and 1648

(3) [written] WRITTEN findings of fact and 1650
conclusions of law.

(d) Vacation or modification of stop order. 1652

The Commissioner may vacate or modify a stop order 1654
if he finds that the conditions which prompted entry have 1655
changed or that it is otherwise in the public interest to 1656
do so.

REVISOR'S NOTE: This section presently appears as 1661
Art. 32A, §24.

In subsection (a) (4) the phrase "of the 1665
issuer" is substituted for the phrase

"issuer's enterprise or method of."	1666
In subsection (a) (5) the word "on" is substituted for the word "upon."	1670
In subsection (a) (6) the word "the" is substituted for the word "such."	1674
In subsection (a) (8) the word "is" is substituted for the words "has been"; and the word "the" is substituted for the words "any such."	1678 1679
In subsection (b) the phrase "by order may" is substituted for the phrase "may by order" and the phrase "for the postponement or suspension" is substituted for the word "therefor"; and the words "promptly shall" are substituted for the words "shall promptly."	1683 1684 1685 1686
The only other changes are in ^{nomenclature} punctuation, and style.	1690
SUBTITLE 5. GENERAL PROVISIONS.	1693
§11-501. [(32A § 27).] Filing of sales and advertising literature.	1696
The Commissioner may by rule or order require the filing of any prospectus, pamphlet, circular, form letter, advertisement, or other sales literature or advertising communication addressed or intended for distribution to prospective investors, including clients or prospective clients of an investment adviser, unless the security or transaction is exempted by [§ 26]	1698 1699 1700 1701 1702
§11-502.	
REVISOR'S NOTE: This section presently appears as	1707

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Art. 32A, §27. The cross reference is conformed.	1707
No other changes are made.	1709
11-502. [(32A § 26).] Exemptions.	1712
(a) Exempt securities.	1714
The following securities are exempted from §§ 19 and 27] §§ 11-401 AND 11-501.	1717
(1) Any security, [(including a revenue obligation)], issued or guaranteed by the United States, any state, any political subdivision of a state, or any agency or corporation or other instrumentality of one or more of the [foregoing,] ABOVE or the Development Credit Corporation of Maryland; or any certificate of deposit for any of the [foregoing] ABOVE;	1719 1720 1721 1722 1723
(2) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision of [any such] THE province, any agency, [or] corporate, or other instrumentality of one or more of the foregoing, or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor;	1725 1726 1727 1728 1729 1730
(3) Any security issued by and representing an	1732

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interest in or a debt of, or guaranteed by, any bank 1733
organized under the laws of the United States, or any 1734
bank, savings institution, or trust company organized and
supervised under the laws of any state; 1735

(4) Any security issued by and representing an 1737
interest in or a debt of, or guaranteed by any federal 1738
savings and loan association, or any building and loan or 1739
similar association organized and supervised under the
laws of any state and authorized to do business in this 1740
State;

(5) Any security issued by and representing an 1742
interest in or a debt of, or guaranteed by, any insurance 1743
company organized under the laws of any state and 1744
authorized to do business in [this] THE State;

(6) Any security issued or guaranteed by any 1746
federal credit union or any credit union, industrial loan 1747
association, or similar association organized and 1748
supervised under the laws of [this] THE State;

(7) Any security issued or guaranteed by any 1750
railroad, other common carrier, public utility, or 1751
holding company which is:

[(A)] (i) subject to the jurisdiction of the 1754

Interstate Commerce Commission; 1754

[(B)] (ii) a registered holding company under the 1756
Public Utility Holding Company Act of 1935 or a 1757
subsidiary of such a company within the meaning of that 1758
act:

[(C)] (iii) regulated in respect of its rates and 1760
charges by a governmental authority of the United States, 1761
any state; or

[(D)] (iv) regulated in respect of the issuance or 1763
guarantee of the security by a governmental authority of 1764
the United States, any state, Canada, or any Canadian 1765
province;

(8) Any security listed or approved for listing 1767
[upon] ON notice of issuance on the New York Stock 1768
Exchange, the American Stock Exchange, the Pacific Coast 1769
Stock Exchange, the Midwest Stock Exchange, [or] the
Philadelphia-Baltimore Stock Exchange, or any other 1770
exchange which the Commissioner [deems] CONSIDERS to have 1771
substantially the same standards for listing as required
by [the above-mentioned] THESE exchanges; any other 1772
security of the same issuer which is of senior or 1773
substantially equal rank; any security called for by 1774
subscription rights or warrants so listed or approved; or

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any warrant or right to purchase or subscribe to any of 1775
[the foregoing] THESE;

(9) Any security issued by any person organized and 1777
operated not for private profit but exclusively for 1778
religious, educational, benevolent, charitable, 1779
fraternal, social, athletic, or reformatory purposes, or
as a chamber of commerce, local industrial development 1780
corporation, or trade or professional association; 1781

(10) Any commercial paper which arises out of a 1783
current transaction or the proceeds of which have been or 1784
are to be used for current transactions, and which 1785
evidences an obligation to pay cash within nine months of
the date of issuance, exclusive of days of grace, or any 1786
renewal of [such] THE paper which is likewise limited, or 1787
any guarantee of [such] THE paper or of any [such] 1788
renewal;

(11) Any investment contract issued after June 1, 1790
1962, in connection with an employee's stock purchase, 1791
savings, pension, profit-sharing, or similar benefit plan 1792
if the Commissioner is notified in writing [thirty] 30 1793
days before the inception of the plan.

(b) Exempt transactions. 1795

The following transactions are exempted from [§§ 19 1797
and 27] §§ 11-401 AND 11-501:

(1) Any isolated nonissuer transaction, whether 1799
effected through a broker-dealer or not; 1800

(2) Any nonissuer distribution of an outstanding 1802
security if:

[(A)] (i) a recognized securities manual contains 1804
the names of the [issuer's] officers and directors OF THE 1805
ISSUER, a balance sheet of the issuer as of a date within 1806
[eighteen] 18 months, and a profit and loss statement for 1807
either the fiscal year preceding that date or the most
recent year of operations, or 1808

[(B)] (ii) the security has a fixed maturity or a 1810
fixed interest or dividend provision and there has been 1811
no default during the current fiscal year or within the 1812
three preceding fiscal years, or during the existence of
the issuer and any predecessor if less than three years, 1813
in the payment of principal, interest, or dividends on 1814
the security;

(3) Any nonissuer transaction effected by or 1816
through a registered broker-dealer [pursuant to] UNDER an 1817
unsolicited order or offer to buy; but the Commissioner

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may by rule require that the customer acknowledge [upon] 1818
ON a specified form that the sale was unsolicited, and 1819
that a signed copy of each [such] form be preserved by 1820
the broker-dealer for a specified period;

(4) Any transaction between the issuer or other 1822
person on whose behalf the offering is made and an 1823
underwriter, or among underwriters;

(5) Any transaction in a bond or other evidence of 1825
indebtedness secured by a real or chattel mortgage or 1826
deed of trust, or by an agreement for the sale of real 1827
estate or chattels, if the entire mortgage, deed of
trust, or agreement, together with all the bonds or other 1828
evidences of indebtedness secured thereby, is offered and 1829
sold as a unit;

(6) Any transaction by an executor, administrator, 1831
sheriff, marshal, receiver, trustee in bankruptcy, 1832
guardian or conservator;

(7) Any transaction executed by a bona fide pledgee 1834
without any purpose of evading this ^{TITLE} Subtitle 1835

(8) Any offer or sale to a bank, savings 1837
institution, trust company, insurance company, investment 1838
company as defined in the Investment Company Act of 1940, 1839

pension or profit-sharing trust, or other financial 1839
institution or institutional buyer, or to a 1840
broker-dealer, whether the purchaser is acting for itself 1841
or in some fiduciary capacity;

(9) Any transaction [pursuant to] UNDER an offer 1843
directed by the offeror to not more than [twenty-five] 25 1844
persons [(other than those designated in [paragraph]
ITEM (8))], in [this] THE State during any period of 1845
[twelve] 12 consecutive months, whether or not the 1846
offeror or [any of the offerees] ANY OFFEREE is then 1847
present in [this] THE State, if the seller reasonably
believes that all the buyers in [this] THE State, other 1848
than those designated in [paragraph] ITEM (8), are 1849
purchasing for investment; but the Commissioner may by 1850
rule or order, as to any security, [or] transaction, or
any type of security or transaction, withdraw or further 1851
condition this exemption, or increase or decrease the 1852
number of offerees permitted, or waive the condition
relating to their investment intent; 1853

(10) Any offer or sale of a preorganization 1855
certificate or subscription if:

[(A)] (i) no commission or other remuneration is 1857
paid or given directly or indirectly for soliciting any 1858

prospective subscriber, 1858

[(B)] (ii) the number of subscribers does not exceed 1860
ten, and

[(C)] (iii) no payment is made by any subscriber; 1862

(11) Any transaction [pursuant to] UNDER an offer 1864
to existing security holders of the issuer, including 1865
persons who at the time of the transaction are holders of 1866
convertible securities, nontransferable warrants, or
transferable warrants exercisable within not more than 1867
[ninety] 90 days of their issuance, if: 1868

[(A)] (i) no commission or other remuneration, 1870
[(other than a stand-by commission)], is paid or given 1871
directly or indirectly for soliciting any security holder 1872
in [this] THE State, or

[(B)] (ii) the issuer first files a notice 1874
specifying the terms of the offer and the Commissioner 1875
does not by order disallow the exemption within the next 1876
five full business days;

(12) Any offer, [(but not a sale)], of a security 1878
for which a registration statement has been filed under 1879
this [subtitle], ^{title} if no stop order or refusal order is in 1880
effect and no public proceeding or examination looking

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toward such an order is pending, and if the offeror 1881
complies with [§§ 20 (c) or 22 (d)] §§ 11-402(C) OR 1882
11-404(D);

(13) Any offer or sale of a security by or through 1884
a registered broker-dealer if:

[(1)] (i) [such] THE offer or sale is not directly 1886
or indirectly for the benefit of the issuer or a person 1887
who is known or who should reasonably be known to [such] 1888
THE broker-dealer to be the record or beneficial owner of 1889
[ten] 10 percent or more of the outstanding voting
securities of the issuer, 1890

[(2)] (ii) the security is not part of an unsold 1892
allotment or subscription taken by a participant in a 1893
distribution directly or indirectly for the benefit of 1894
the issuer or a person who is known or who REASONABLY
should [reasonably] be known to [such] THE broker-dealer 1895
to be the record or beneficial owner of [ten] 10 percent 1896
or more of the outstanding voting securities of the 1897
issuer, and 1898

(3) no administrative stop order or similar order or 1900
permanent or temporary injunction of any court of 1901
competent jurisdiction is in effect under this [subtitle] 1902
TITLE or under any federal or state act against the

offering or sale of the security or any security of the same class. 1903

(c) Denial or revocation of exemption. 1905

The Commissioner BY ORDER may [by order] deny or 1907
revoke any exemption specified in [clause] ITEMS (9) or 1908
(11) of subsection (a) or in subsection (b) with respect 1909
to a specific security or transaction. No such order
may be entered without appropriate prior notice to all 1910
interested parties, opportunity for hearing, and written 1911
findings of fact and conclusions of law, except that the 1912
Commissioner BY ORDER may [by order summarily] deny or 1913
revoke SUMMARILY any of the specified exemptions pending
final determination of any proceeding under this 1914
subsection. [Upon] ON the entry of a summary order, the 1915
Commissioner PROMPTLY shall [promptly] notify [all] EVERY 1916
interested [parties] PARTY that it has been entered and 1917
of the reasons therefor and that within [fifteen] 15 days
of the receipt of a written request the matter will be 1918
set down for hearing. If no hearing is requested and 1919
none is ordered by the Commissioner, the order will
remain in effect until it is modified or vacated by the 1920
Commissioner. If a hearing is requested or ordered, the 1921
Commissioner, after notice of and opportunity for hearing 1922
to [all] EVERY interested [persons] PERSON, may modify or 1923

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vacate the order or extend it until final determination.	1923
No order under this subsection may operate retroactively.	1924
No person may be considered to have violated [§§ 19 or	1925
27] §§ 11-401 OR 11-501 by reason of any offer or sale	1926
effected after the entry of an order under this	
subsection if he sustains the burden of proof that he did	1927
not know, and in the exercise of reasonable care could	1928
not have known, of the order.	
(d) Burden of proof.	1930
In any proceeding under this ^{TITLE} Subtitle, the burden of	1932
proving an exemption or an exception from a definition is	1933
[upon] ON the person claiming it.	
REVISOR'S NOTE: This section presently appears as	1938
Art. 32A, §26.	
In subsection (a) (1) the word "above" is	1942
substituted for "foregoing."	
In subsection (a) (2) the word "the" is	1946
substituted for the words "any such."	
In subsections (a) (4) and (5), contrary to	1950
style guidelines, the words "this State" are	1951
retained to avoid ambiguity.	
In subsection (a) (8) the word "considers" is	1955
substituted for "deems"; the word "these" is	1956
substituted for the phrase "the above	
mentioned"; and the word "these" is	1957
substituted for the words "the foregoing"; and	
the word "on" is substituted for the word	1958
"upon."	
In subsection (a) (10) the words "the paper"	1962

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are substituted for the words "such paper"	1962
everywhere they appear, and the word "such" is	1963
deleted from the clause "any such renewal."	1964
 In subsection (b) (2) (i) the phrase "officers	1968
and directors of the issuers" is substituted	
for the phrase "issuer's officers and	1969
directors.	
 In subsection (b) (3) the word "such" is	1973
deleted from the phrase "each such form"; the	
word "under" is substituted for "pursuant to";	1974
and the word "on" is substituted for the word	1975
"upon."	
 In subsection (b) (9) the words "any offeree"	1979
are substituted for the phrase "any of the	1980
offerees," and "the state" is substituted for	
"this state."	
 In subsection (b) (11) the word "under" is	1984
substituted for the words "pursuant to."	
 In subsection (b) (13) the word "the" is	1988
substituted for the word "such" wherever it	
appears.	
 In subsection (c) the phrase "by order may" is	1992
substituted for the phrase "may by order" and	1993
the word "on" is substituted for the word	
"upon."	
 In the third sentence of subsection (c) the	1997
words "promptly shall" are substituted for	1998
"shall promptly."	
 The only other changes are technical changes	2002
in internal cross references, punctuation,	
nomenclature, and style.	2003

11-503. [(32A § 28).] Misleading filings. 2007

It is unlawful for any person to make or cause to be 2009
made, in any document filed with the Commissioner or in 2010
any proceeding under this ^{title} subtitle, any statement which 2011

is, at the time and in the light of the circumstances 2011
under which it is made, false or misleading in any 2012
material respect.

REVISOR'S NOTE: This section presently appears as 2017
Art. 32A, §28. The only change is in nomenclature.

11-504. [(32A § 29).] Unlawful representations 2021
concerning registration or exemption.

(a) Neither: 2023

(1) the fact that an application for registration 2025
under [§§ 15-18] §§ 11-301 THROUGH 11-304, inclusive, of 2026
this ^{title} Subtitle, or a registration statement under [§§ 2027
19-24] §§ 11-401 THROUGH 11-406, inclusive, of this
^{title} Subtitle has been filed; nor 2028

(2) the fact that a person or security is 2030
effectively registered constitutes a finding by the 2031
Commissioner that any document filed under this
[subtitle] TITLE is true, complete, and not misleading. 2032
Neither any such fact nor the fact that an exemption or 2033
exception is available for a security or a transaction 2034
means that the Commissioner has passed in any way [upon]
on the merits or qualifications of, or recommended or 2035
given approval to, any person, security, or transaction. 2036

(b) It is unlawful to make, or cause to be made, to 2038

any prospective purchaser, customer, or client any 2039
representation inconsistent with subsection (a).

REVISOR'S NOTE: This section presently appears as 2044
Art. 32A, §29. Cross references are
conformed.

In subsection (a) (2) the word "on" is 2048
substituted for the word "upon."

The only other changes are technical changes 2052
in ^{nomenclature} punctuation, and style.

11-505. [(32A § 30).] Administration of ^{TITLE} Subtitle_X 2056

(a) Division of Securities[; Securities 2058
Commissioner; assistant securities commissioner]. 2059

This ^{TITLE} Subtitle_A shall be administered by the Division 2061
of Securities which is hereby created as a division of 2062
the Department of Law. The principal executive officer 2063
of the Division of Securities shall be the Securities
Commissioner to be appointed by the Attorney General, who 2064
ALSO shall [also] have the power to employ [such] THE 2065
officers and employees as may be necessary to carry out 2066
the purposes of this ^{TITLE} Subtitle_X.

(B) SECURITIES COMMISSICKNER. 2068

The Securities Commissioner shall be a practicing 2070
lawyer of the State of Maryland in good standing, shall 2071
hold his office at the pleasure of the Attorney General, 2072

and shall receive [such] THE salary as [shall be] provided 2072
in the State budget. 2073

(C) ASSISTANT SECURITIES COMMISSIONER. 2075

The Attorney General shall also appoint an assistant 2077
securities commissioner, who, after appointment, shall 2078
hold his position subject generally to the provisions of 2079
[Article 64A of this Code] ZZZ. Whenever a vacancy
occurs in the position of assistant securities 2080
commissioner, [such] THE vacancy shall be filled by a 2081
person appointed by the Attorney General subject to the 2082
provisions of [Article 64A of this Code] ZZZ. Each
person [so] appointed shall hold his position subject 2083
generally to the provisions of [said Article 64A] ZZZ. 2084

(b) (D) Use or disclosure of information. 2086

It is unlawful for the Commissioner or any of the 2088
officers or employees in the Division of Securities to 2089
use for personal benefit any information which is filed 2090
with or obtained by the Commissioner and which is not
made public. No provision of this [Subtitle] ^{TITLE} authorizes 2091
the Commissioner or any of his officers or employees to 2092
disclose any such information except among themselves or 2093
when necessary or appropriate in a proceeding or
investigation under this [Subtitle] ^{TITLE}. No provision of this 2094

[subtitle] TITLE either creates or derogates from any 2095
privilege which exists at common law or otherwise when 2096
documentary or other evidence is sought under a subpoena
directed to the Commissioner or any of his officers or 2097
employees.

REVISOR'S NOTE: This section presently appears as 2102
Art. 32A, §30. Art. 32A, §30(a) is divided
into three subsections for organizational 2103
purposes and catchlines are added.

In subsection (a) the word "the" is 2106
substituted for "such."

In subsection (b) the word "the" is 2110
substituted for "such" and the words "shall
be" are deleted.

In subsection (c) the word "the" is 2114
substituted for the word "such," and the words
"so" and "said" are deleted. 2115

The cross references are conformed. 2117

The only other changes are technical changes 2121
in nomenclature, punctuation, and style.

71-506. [(32A § 31).] Investigations and subpoenas. 2125

(a) INVESTIGATIONS; FILING OF STATEMENTS; AND 2127
PUBLICATION OF INFORMATION.

The Commissioner in his discretion: 2129

(1) may make [such] public or private investigations 2131
within or outside of [this] THE State as he [deems] 2132
CONSIDERS necessary to determine whether any person has 2133

violated or is about to violate any provision of this 2134
[subtitle] TITLE or any rule or order [hereunder,] UNDER
THIS TITLE; or to aid in the enforcement of this 2135
[subtitle] TITLE or in the prescribing of rules and forms 2136
[hereunder,] UNDER THIS TITLE;

(2) may require or permit any person to file a 2138
statement in writing, under oath or otherwise as the 2139
Commissioner determines, as to all the facts and
circumstances concerning the matter to be 2140
investigated[,]; and

(3) may publish information concerning any violation 2142
of this [subtitle] TITLE or any rule or order [hereunder] 2143
UNDER THIS TITLE.

(b) ADMINISTRATION OF OATHS AND AFFIRMATIONS; 2145
SUBPOENING WITNESSES; COMPELLING ATTENDANCE OF WITNESSES; 2146
TAKING OF EVIDENCE; AND PRODUCTION OF DOCUMENTS. 2147

For the purpose of any investigation or proceeding 2149
under this [subtitle] TITLE, the Commissioner or any 2150
officer designated by him may administer oaths and 2151
affirmations, subpoena witnesses, compel their
attendance, take evidence, and require the production of 2152
any books, papers, correspondence, memoranda, agreements 2154
or other documents or records which the Commissioner

[deems] ~~CONSIDERS~~ relevant or material to the inquiry. 2155

(c) FAILURE TO OBEY A SUBPOENA. 2157

In case of contumacy by, or refusal to obey a 2159
subpoena issued to any person, the circuit court of the 2160
city or county in which [such] THE person resides or 2161
transacts business, [upon] ON application by the
Commissioner, may issue to the person an order requiring 2162
him to appear before the Commissioner, or the officer 2163
designated by him, there to produce documentary evidence
if so ordered or to give evidence touching the matter 2164
under investigation or in question. Failure to obey the 2165
order of the court may be punished by the court as a 2166
contempt of court.

(d) PRIVILEGE AGAINST SELF INCRIMINATION. 2168

No person is excused from attending and testifying 2170
or from producing any document or record before the 2171
Commissioner, or in obedience to the subpoena of the 2172
Commissioner or any officer designated by him, or in any
proceeding instituted by the Commissioner, on the ground 2173
that the testimony or evidence, [()] documentary or 2174
otherwise[)], required of him may tend to incriminate him 2175
or subject him to a penalty or forfeiture; but no
individual may be prosecuted or subjected to any penalty 2176

or forfeiture for or on account of any transaction, 2177
matter, or thing concerning which he is compelled, after
claiming his privilege against self-incrimination, to 2178
testify or produce evidence, [()documentary or 2179
otherwise()], except that the individual testifying is 2180
not exempt from prosecution and punishment for perjury or
contempt committed in testifying. 2181

REVISOR'S NOTE: This section presently appears as 2186
Art. 32A, §31. A catchline is added to each 2187
subsection.

In subsection (a)(1) the word "such" is 2191
deleted; the word "considers" is substituted
for "deems"; the words "under this title" are 2192
substituted for "hereunder."

In subsection (a)(3) the words "under this 2196
title" are substituted for "hereunder."

In subsection (b) the word "considers" is 2200
substituted for "deems."

In subsection (c) the word "the" is 2204
substituted for the word "such"; and the word
"on" is substituted for the word "upon." 2205

2209

The only other changes are technical changes 2213
in nomenclature, punctuation, and style.

11-507. [(32A § 32).] Injunctions. 2217

Whenever it appears to the Commissioner that any 2219
person has engaged or is about to engage in any act or 2220
practice constituting a violation of any provision of 2221

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this [subtitle] TITLE or any rule or order [hereunder] 2221
UNDER THIS TITLE, he may in his discretion bring an 2222
action in the circuit court of the city or county in 2223
which [such] THE person resides or transacts business to 2224
enjoin the acts or practices and to enforce compliance
with this [subtitle] TITLE or any rule or order 2225
[hereunder] UNDER THIS TITLE. [Upon a] ON proper 2226
showing a permanent or temporary injunction or 2227
restraining order shall be granted and a receiver or
conservator may be appointed for the defendant or the 2228
defendant's assets. The court may not require the 2230
Commissioner to post a bond.

REVISOR'S NOTE: This section presently appears as 2235
Art. 32A, §32. The words "under this title" 2236
are substituted for "hereunder"; the word
"title" is substituted for "subtitle; and the 2237
word "the" is substituted for "such"; and the
word "on" is substituted for the words "upon 2238
a."

No other changes are made. 2240

11-508. [(32A § 34).] Civil liabilities. 2244

(a) When seller is liable[; extent of liability]. 2246

[Any person who:] A PERSON IS CIVILLY LIABLE IF HE 2248
[(1) Offers] OFFERS or sells a security in violation of 2249
[§ 15 (a), 19, or 29 (b),] §§ 11-301(A), 11-401, OR 2250
11-504(B), or of any rule or order under [§ 27] §11-501

which requires the affirmative approval of sales 2251
literature before it is used[, or]. 2252

(B) WHEN SELLER AND BUYER ARE LIABLE. 2254

[(2) Offers] A PERSON IS CIVILLY LIABLE IF HE 2256
OFFERS, [or] sells, or PURCHASES a security by means of 2257
any untrue statement of a material fact or any omission 2258
to state a material fact necessary in order to make the 2259
statements made, in the light of the circumstances under
which they are made, not misleading, [(the buyer OR 2260
SELLER not knowing of the untruth or omission)], and who 2261
does not sustain the burden of proof that he did not 2262
know, and in the exercise of reasonable care could not
have known, if the untruth or omission, is liable to the 2263
person buying OR SELLING the security [from him,]. 2264

(C) EXTENT OF LIABILITY OF A SELLER IN VIOLATION OF 2266
SUBSECTIONS (A) OR (B).

[who] A BUYER may sue either at law or in equity to 2268
recover the consideration paid for the security, together 2269
with interest at [six] 6 percent per year from the date 2270
of payment, costs, and reasonable attorneys' fees, less 2271
the amount of any income received on the security, [upon] 2272
ON the tender of the security, or for damages if he no 2273
longer owns the security. Damages are the amount that 2274

would be recoverable [upon] ON a tender less the value of 2274
the security when the buyer disposed of it and interest 2275
at [six] 6 percent per year from the date of disposition. 2276

[(b)] (D) Others jointly and severally liable with 2278
seller.

Every person who directly or indirectly controls a 2280
seller liable under [subsection (a)] SUBSECTIONS (A) AND 2281
(B), every partner, officer, or director of [such a] THE 2282
seller, every person occupying a similar status or 2283
performing similar functions, every employee of [such a] 2284
THE seller who materially aids in the sale, and every 2285
broker-dealer or agent who materially aids in the sale
are also liable jointly and severally with and to the 2286
same extent as the seller, unless the nonseller who is so 2287
liable sustains the burden of proof that he did not know, 2288
and in exercise of reasonable care could not have known,
of the existence of the facts by reason of which the 2289
liability is alleged to exist. There is contribution as 2290
in cases of contract among the several persons so liable. 2291

[(c)] (E) Time of making tender. 2293

Any tender specified in this section may be made at 2295
any time before entry of judgment.

[d] (F) Survival of cause of action.	2297
Every cause of action under this statute survives the death of any person who might have been a plaintiff or defendant.	2299 2300
[e] (G) Limitation of actions; effect of offer of refund.	2302
[No] A person may NOT sue under this section more than three years after the contract of sale; provided, however, that no action shall be maintained to enforce any liability created under subsection (a) [(1)] of this section unless brought within one year after the violation [upon] ON which it is based, and that no action shall be maintained to enforce any liability created under subsection [(a) (2)] (B) of this section unless brought within one year after the discovery of the untrue statement or omission, or after [such] THE discovery should have been made by the exercise of reasonable diligence; and provided, further that any action pending on June 1, 1968 or which thereafter may be instituted on the basis of facts or circumstances occurring [prior to such] ^{BEFORE} THE date shall be governed by the provisions of this subsection in effect [prior to such] ^{BEFORE} THE date. / [No]	2304 2305 2306 2307 2308 2309 2310 2311 2312 2313 2314 2315 2316
A person may NOT sue under this section:	

(1) if the buyer received a written offer, before 2318
suit and at a time when he owned the security, to refund 2319
the consideration paid together with interest at [six] 6 2320
percent per year from the date of payment, less the
amount of any income received on the security, and he 2321
failed to accept the offer within [thirty] 30 days of its 2322
receipt[,]; or

(2) if the buyer received [such an] THE offer before 2324
suit and at a time when he did not own the security, 2325
unless he rejected the offer in writing within [thirty] 2326
30 days of its receipt.

[(f)] (H) Effect of making or performing contract 2328
with knowledge of facts.

[No] A person who has made or engaged in the 2330
performance of any contract in violation of any provision 2331
of this [subtitle]^{TITLE} or any rule or order [hereunder,] UNDER 2332
THIS TITLE or who has acquired any purported right
under [any such] THE contract with knowledge of the facts 2333
by reason of which its making or performance was in 2334
violation, may NOT base any suit on the contract. 2335

[(g)] (I) Provision for waiver of compliance with 2337
section void.

Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this [subtitle] TITLE or any rule or order [hereunder] UNDER THIS TITLE is void.

[(h)] (j) Rights and remedies additional to others.

The rights and remedies provided by this [subtitle] TITLE are in addition to any other rights or remedies that may exist at law or in equity, but this [subtitle] TITLE does not create any cause of action not specified in this section or [§ 16 (e)] § 11-302(E).

REVISOR'S NOTE: This section presently appears as Art. 32A, §34.

Art. 32A, §34(a) is divided into three subsections. Subsection (a) deals with the civil liability of the seller; subsection (b) deals with the civil liability of the buyer and seller; and subsection (c) deals with the extent of the liability. Art. 32A, §34(a)(2) gives the buyer the right of action and not the seller. It is reworded and reorganized to also give the seller the right of action. To be consistent with the other provisions of the Code the seller should also be given the right of action.

In subsection (d) the word "the" is substituted for the words "such a."

In subsection (g) the phrase "A person may not" is substituted for the phrase "No person may." and the phrase "before the" is substituted for the phrase "prior to such."

In subsections (h) and (i) the words "under this title" are substituted for "hereunder." Also in subsection (h), the word "A" is

substituted for the word "No"; the phrase "may not base" is substituted for the words "may base"; and the word "the" is substituted for the words "any such."	2377
	2378
Cross references are conformed.	2380
Throughout this section the word "title" is substituted for the word "subtitle"; and the word "on" is substituted for the word "upon."	2384
	2385
The only other changes are technical changes in punctuation and style.	2389
11-509. [(32A § 35).] Judicial review of orders.	2393
(a) PROCEDURE FOR REVIEW OF FINAL ORDER.	2395
Any person aggrieved by a final order of the Commissioner may obtain a review of the order in conformity with the procedure prescribed in the Maryland Rules of Procedure and in [Article 41, §§ 244-256] ZZZ, inclusive, the Administrative Procedure Act.	2397
	2398
	2399
	2400
(b) STAY OF COMMISSIONER'S ORDER.	2402
The commencement of proceedings under subsection (a) does not, unless specifically ordered by the court, operate as a stay of the Commissioner's order.	2404
	2405
REVISOR'S NOTE: This section presently appears as Art. 32A, §35. A catchline is added to each subsection. The cross reference is conformed. No other changes are made.	2410
	2411
	2412
11-510. [(32A § 36).] Rules, forms, orders, and hearings.	2416

(a) Powers of Commissioner generally. 2418

The Commissioner [may] from time to time MAY make, 2420
amend, and rescind [such] THE rules, forms, and orders as 2421
are necessary to carry out the provisions of this 2422
[subtitle] TITLE, including rules and forms governing 2423
registration statements, applications, and reports, and 2424
defining any terms, whether or not used in this 2425
[subtitle] TITLE, insofar as the definitions are not 2426
inconsistent with the provisions of this [subtitle] 2427
TITLE. For the purpose of rules and forms, the
Commissioner may classify securities, persons, and
matters within his jurisdiction, and prescribe different 2428
requirements for different classes. 2429

(b) Limitations on power of Commissioner; 2431
cooperation with state and federal agencies.

[No] A rule, form, or order may NOT be made, 2433
amended, or rescinded unless the Commissioner finds that 2434
the action is necessary or appropriate in the public 2435
interest or for the protection of investors and
consistent with the purposes fairly intended by the 2436
policy and provisions of this ^{rule} [subtitle] /In prescribing 2437
rules and forms the Commissioner may cooperate with the
securities administrators of the other states and the 2438

Securities and Exchange Commission with a view to 2439
effectuating the policy of this statute to achieve
maximum uniformity in the form and content of 2440
registration statements, applications, and reports 2441
wherever practicable.

(c) Financial statements. 2443

The Commissioner may by rule or order prescribe: 2445

(1) the form and content of financial statements 2447
required under this [subtitle,] TITLE; 2448

(2) the circumstances under which consolidated 2450
financial statements shall be filed[,]; and 2451

(3) whether any required financial statements shall 2453
be certified by independent or certified public 2454
accountants. All financial statements shall be prepared
in accordance with generally accepted accounting 2455
practices.

(d) Publication of rules and forms. 2457

All rules and forms of the Commissioner shall be 2459
published.

(e) Acts done in good faith not affected by 2461
subsequent amendment, etc.

[No] A provision of this [subtitle] TITLE imposing 2463
any liability applies to any act done or omitted in good 2464
faith in conformity with any rule, form, or order of the 2465
Commissioner, notwithstanding that the rule, form, or 2466
order may NOT later be amended, [or] rescinded, or be
determined by judicial or other authority to be invalid 2467
for any reason.

(f) Hearings to be public. 2469

Every hearing in an administrative proceeding shall 2471
be public unless the commissioner in his discretion 2472
grants a request joined in by all the respondents that 2473
the hearing be conducted privately.

REVISOR'S NOTE: This section presently appears as 2478
Art. 32A, §36.

In subsection (a) the word "the" is 2482
substituted for the word "such."

In the first sentence of subsection (b), the 2486
word "A" is substituted for the word "No"; and 2487
the word "not" is inserted between the words
"may be."

In subsection (e), the word "A" is substituted 2491
for the word "No" and the word "not" is 2492
inserted between the words "may later."

Throughout this section the word "title" is 2496
substituted for the word "subtitle."

The only other changes are technical changes 2500
in punctuation and style.

11-511. [(32A § 37).] Administrative files and 2504

opinions.	2504
(a) When document is filed.	2506
A document is filed when it is received by the Commissioner.	2508
(b) Register to be kept by Commissioner; contents; inspection.	2510
The Commissioner shall keep a register of [all applications] EVERY APPLICATION for registration and registration statements which are or have ever been effective under this [subtitle] TITLE and all denial, suspension, or revocation orders which have been entered under this [subtitle] TITLE. The register shall be open for public inspection.	2512 2513 2514 2515 2516
(c) Information available to public.	2518
The information contained in or filed with any registration statement, application, or report may be made available to the public under [such] THE rules as the Commissioner prescribes.	2520 2521 2522
(d) Copies.	2524
Upon request and at [such] THE reasonable charges as he prescribes, the Commissioner shall furnish to any	2526 2527

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person photostatic or other copies, [] certified under 2528
 his seal of office if requested[]], of any entry in the
 register or any document which is a matter of public 2529
 record. In any proceeding or prosecution under this 2530
 [subtitle] TITLE, any copy so certified is prima facie 2531
 evidence of the contents of the entry or document
 certified.

(e) Interpretative opinions. 2533

The Commissioner in his discretion may honor 2535
 requests from interested persons for interpretative 2536
 opinions.

REVISOR'S NOTE: This section presently appears as 2541
 Art. 32A, §37.

In subsections (c) and (d) the word "the" is 2545
 substituted for the word "such."

Throughout this section the word "title" is 2549
 substituted for the word "subtitle."

The only other changes are technical changes 2553
 in punctuation.

11-512. [(32A § 39).] Maryland Blue Sky Advisory 2557
 Committee.

The Governor shall appoint a Maryland Blue Sky 2559
 Advisory Committee which shall consist of six members, 2560
 all of whom shall be residents of the State of Maryland, 2561
 at least two of whom shall be actively engaged in the

securities business or as investment advisers, and at 2562
least two of whom shall be members of the bar. The 2563
members shall be selected on the basis of their
experience and qualifications to advise the Commissioner 2564
on [all phases] EVERY PHASE of the securities business. 2565
The members shall be appointed for staggered terms of 2566
three years each, with two members being appointed each
year, to serve without compensation and eligible for 2567
reappointment for additional terms. The terms [of] 2568
UNDER WHICH the first members ARE appointed [hereunder] 2569
shall be designated by the Governor at the time of their
appointment. /The members of the Committee shall select 2570
their own chairman. Meetings of the Committee shall be 2571
held when called by the Commissioner. He shall consult 2572
with the Committee and it shall give him the benefit of
its advice on any [and all] matters pertaining to the 2573
administration of this [subtitle] TITLE, particularly the 2574
adoption, amendment or repeal of rules, regulations and 2575
forms provided for [herein] IN THIS TITLE.

REVISOR'S NOTE: This section presently appears as 2580
Art. 32A, §39. The words "under which" are 2581
substituted for the word "of" and the word
"hereunder" is deleted.

The only other changes are in nomenclature, 2585
punctuation, and style.

11-513. [(32A § 40).] Transition provisions. 2589

(a) REGISTRATION STATEMENT FILED ON OR BEFORE JUNE 2591
1, 1962.

Any broker-dealer or agent who, on June 1, 1962, has 2593
filed with the Attorney General a registration statement 2594
[pursuant to] UNDER the Maryland Blue Sky Law in effect 2595
[prior to] BEFORE this [subtitle] TITLE, and against whom 2596
no cease and desist order has been issued by the Attorney
General [pursuant to said] UNDER THE Blue Sky Law, or who 2597
is exempt from the registration requirements of [said] 2598
THE Blue Sky Law, and who within [thirty] 30 days after 2599
the Commissioner shall first publish notice, as in
subsection (b) of this section provided, that forms are 2600
available for registration as a broker-dealer or agent 2601
under this [subtitle] TITLE, shall file with the 2602
Commissioner his application for registration under this
[subtitle] TITLE either as a broker-dealer or as agent, 2603
accompanied in either case by the requisite registration 2604
fee, shall be entitled to transact his business in [this] 2605
THE State until his application for registration under 2606
this [subtitle shall have been] TITLE IS granted or 2607
denied or his registration under this [subtitle shall
have] TITLE HAS terminated. Any person previously 2608
registered under the Blue Sky Law in effect in [this] 2609
State prior to] THE STATE BEFORE the adoption of this 2610

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[subtitle] TITLE or who is exempt from the registration 2610
requirements of [said] THE Blue Sky Law [shall not be] IS 2611
NOT required to publish notice of his initial 2612
registration under this [subtitle] TITLE as otherwise
required by [§ 16 (a) hereof] §11-302(A). 2613

§(b) The appointment of the first Commissioner to 2616
serve under this subtitle shall be made by the Attorney 2617
General within thirty days after June 1, 1962, and within 2618
ninety days after such date the Commissioner shall, in 2619
compliance with Article 41, §§ 244-256, inclusive, the
Administrative Procedure Act,

(1) adopt and cause to be printed rules for the 2622
administration of this subtitle as herein provided, and 2623

(2) cause to be prepared and printed forms for 2625
application for registration of broker-dealers, and 2626
agents under this subtitle. He shall give notice of the 2627
availability of copies of such rules and forms by
publication not less frequently than once a week for 2628
three successive weeks in a newspaper of general 2629
circulation in Baltimore and in Washington, D.C. and in
such other manner as he may deem appropriate. Any 2630
amendments or addition to said rules shall likewise be 2631
adopted in conformity with Article 41, §§ 244-256,
inclusive, the Administrative Procedure Act.] 2632

§(c) (B) SECURITIES SOLD OR DISPOSED OF BEFORE 2635
JUNE 1, 1972.

Any security which, [prior to] BEFORE or within 2637
[ninety] 90 days after June 1, 1962, has been sold or 2638
disposed of by the issuer or bona fide offered to the 2639
public shall be exempt from the registration provisions
of this [subtitle] TITLE, but this exemption shall not 2640

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apply to any new offering of any [such] security by an 2641
issuer or underwriter subsequent to [such ninety] 90 2642
days.

REVISOR'S NOTE: This section presently appears as 2647
Art. 32A, §40. A catchline is added to each 2648
subsection.

In subsection (a) the word "under" is 2652
substituted for the words "pursuant to"; the 2653
word "before" is substituted for the words
"prior to"; the word "under" is substituted 2654
for the phrase "pursuant to such"; and the 2655
phrase "the state before" is substituted for
the phrase "this state prior to."

Art. 32A §40 (b) is proposed for deletion 2659
because it is obsolete.

In subsection (b) the word "before" is 2663
substituted for the words "prior to," and the 2664
word "such" is deleted.

Cross references are conformed 2666

Throughout this section the word "title" is 2670
substituted for the word "subtitle."

The only other changes are technical changes 2674
in punctuation, internal cross references, and 2675
style.

[(32A § 44) . Saving provisions. 2679

(a) Proceedings pending on June 1, 1962. 2681

Any suit, action, prosecution or proceedings pending 2683
on June 1, 1962, or which may thereafter be initiated 2684
on the basis of facts or circumstances 2685
occurring prior to such date shall be 2686

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governed by and subject to the subtitle "Blue Sky Law" 2686
which was in effect prior to June 1, 1962, as if 2687
this subtitle had not been enacted. 2688

(b) Review proceedings. 2690

All administrative orders as to which 2692
review proceedings have not been instituted by June 1, 2693
1962, shall be governed by § 35 except that no 2694
review proceeding may be instituted unless the petition 2695
is filed within any period of limitation which would have
applied had this [subtitle not been enacted.] 2696

REVISOR'S NOTE: This section presently appears as 2701
Art. 32A, §44. The provisions of this section 2702
are proposed for deletion because they are obsolete. 2703

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11-514. [(32A § 38).] Scope of [subtitle] TITLE; 2720
service of process.

(a) APPLICABILITY OF SECTIONS 11-201, 11-301(A), 2722

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11-401, 11-504, AND 11-508. 2722

Sections [13, 15 (a), 19, 29, and 34] §§ 11-201, 2724
11-301(A), 11-401, 11-504, AND 11-508 apply to [persons 2725
who sell or offer] ANY PERSON WHO SELLS OR OFFERS to sell 2726
when:

(1) an offer to sell is made in [this] THE State[,]; 2728
or

(2) an offer to buy is made and accepted in [this] 2730
THE State.

(b) APPLICABILITY OF SECTIONS 11-201, 11-301(A), 2732
AND 11-504.

Sections [13, 15 (a), and 29] §§ 11-201, 11-301(A), 2734
AND 11-504 apply to [persons who buy or offer] ANY PERSON 2735
WHO BUYS OR OFFERS to buy when:

(1) an offer to buy is made in [this] THE State[,]; 2737
or

(2) an offer to sell is made and accepted in [this] 2739
THE State.

(c) WHEN AN OFFER TO SELL OR BUY IS MADE. 2741

For the purpose of this section, an offer to sell or 2743

to buy is made in [this] THE State, whether or not either 2744
party is then present in [this] THE State, when the 2745
offer:

(1) originates from [this] THE State; or 2747

(2) is directed by the offeror to [this] THE State 2749
and received at the place to which it is directed, [() or 2750
at any post office in [this] THE State in the case of a 2751
mailed offer[]].

(d) WHEN AN OFFER TO SELL OR BUY IS ACCEPTED. 2753

For the purpose of this section, an offer to buy or 2755
to sell is accepted in [this] THE State when acceptance: 2756

(1) is communicated to the offeror in [this] THE 2758
State; and

(2) has not [previously] been communicated 2760
PREVIOUSLY to the offeror, orally or in writing, outside 2761
[this] THE State; and acceptance is communicated to the 2762
offeror in [this] THE State, whether or not either party
is then present in [this] THE State, when the offeree 2763
directs it to the offeror in [this] THE State reasonably 2764
believing the offeror to be in [this] THE State and it is 2765
received at the place to which it is directed, [() or at 2766
any post office in [this] THE State in the case of a

mailed acceptance[]]. 2766

(e) WHEN AN OFFER TO SELL OR BUY IS NOT MADE. 2768

An offer to sell or to buy is not made in [this] THE 2770
State when:

(1) the publisher circulates or there is circulated 2772
on his behalf in [this] THE State any bona fide newspaper 2773
or other publication of general, regular, and paid 2774
circulation which is not published in [this] THE State,
or which is published in [this] THE State but has had 2775
more than two thirds of its circulation outside [this] 2776
THE State during the past [twelve] 12 months[,]; or 2777

(2) a radio or television program originating 2779
outside [this] THE State is received in [this] THE State. 2780

(f) APPLICABILITY OF SECTION 11-202. 2782

Section [14] §11-202 applies when any act 2784
instrumental in effecting prohibited conduct is done in 2785
[this] THE State, whether or not either party is then 2786
present in [this] THE State.

(g) APPOINTMENT OF ATTORNEY TO RECEIVE SERVICE OF 2788
PROCESS.

Every applicant for registration under this 2790

[subtitle] TITLE and every issuer which proposes to offer 2791
a security in [this] THE State through any person acting 2792
on an agency basis in the common-law sense shall file
with the Commissioner, in [such] THE form as he by rule 2793
prescribes, an irrevocable consent appointing the 2794
Commissioner or his successor in office to be his 2795
attorney to receive service of any lawful process in any
noncriminal suit, action, or proceeding against him or 2796
his successor, executor, or administrator which arises 2797
under this [subtitle] TITLE or any rules or order
[hereunder] UNDER THIS TITLE after the consent has been 2798
filed, with the same force and validity as if served 2799
personally on the person filing the consent. A person who 2800
has filed such a consent in connection with a previous
registration need not file another. Service may be made 2801
by leaving a copy of the process in the office of the 2802
Commissioner, but it is not effective unless:

(1) the plaintiff, who may be the Commissioner, in a 2804
suit, action, or proceeding instituted by him, 2805
[forthwith] IMMEDIATELY sends notice of the service and a 2806
copy of the process by registered mail to the defendant
or respondent at his last address on file with the 2807
Commissioner[.]; and

(2) the plaintiff's affidavit of compliance with 2809

this [subsection] SECTION ~~is~~ filed in the case on or 2810
before the return day of the process, if any, ~~or~~ within 2811
[such] further time as the court allows.

(h) FAILURE TO FILE A CONSENT TO SERVICE OF 2813
PROCESS. 2814

When any person, including any nonresident of [this] 2815
THE State, engages ~~in~~ conduct prohibited or made 2816
actionable by this [subtitle] TITLE or any rule or order 2817
[hereunder] UNDER THIS TITLE, and he has not filed ~~a~~ 2818
consent to service of process under subsection (a) (G)
and personal jurisdiction over him cannot otherwise be 2819
obtained in [this] THE State, that conduct shall be 2820
considered equivalent to his appointment of the
Commissioner ~~or~~ his successor in office to be his 2821
attorney to receive service of any lawful process in any 2822
non-criminal suit, action, or proceeding against him ~~or~~ 2823
his successor, executor, or administrator which grows out
of that conduct and which is brought under this 2824
[subtitle] TITLE or any rule or order [hereunder] UNDER 2825
THIS TITLE, with the same force and validity as if served 2826
on him personally. Service may be made by leaving a
copy of the process in the office of the Commissioner, 2827
and it is not effective unless:

(1) the plaintiff, who may be the Commissioner in a 2829
suit, action, or proceeding instituted by him, 2830
[forthwith] IMMEDIATELY sends notice of the service and a 2831
copy of the process by registered mail to the defendant
or respondent at his last known address or takes other 2832
steps which are reasonably calculated to give actual 2833
notice[,]; and

(2) the plaintiff's affidavit of compliance with 2835
this [subsection] SECTION is filed in the case on or 2836
before the return day of the process, if any, or within 2837
such further time as the court allows.

(i) CONTINUANCE. 2839

When process is served under this section, the 2841
court, or the Commissioner in a proceeding before him, 2842
shall order [such] THE continuance as may be necessary to 2843
afford the defendant or respondent reasonable opportunity
to defend. 2844

REVISOR'S NOTE: This section presently appears as 2849
Art. 32A, §38. A catchline is added to each 2850
subsection.

In the first sentence of subsection (g) the 2854
word "the" is substituted for the word "such," 2855
and the words "under this subtitle" are
substituted for the word "hereunder." In item 2856
(g) (1) the word "immediately" is substituted
for the word "forthwith"; and in item (g) (2) 2857
the word "such" is deleted.

In subsection (h) the words "under this subtitle" are substituted for the word "hereunder."	2861
In subsection (h) (1) the word "immediately" is substituted for the word "forthwith."	2865
In subsection (i) the word "the" is substituted for the word "such."	2869
gross references are conformed.	2871
Throughout this section the word "title" is substituted for the word "subtitle."	2875
The only other changes are technical changes in nomenclature, punctuation, and style.	2879
11-515. [(32A § 41). Construction of subtitle.]	2883
UNIFORMITY OF INTERPRETATION.	
This [subtitle] TITLE shall be so construed as to effectuate its general purpose to make uniform the law of those states which enact it and to coordinate the interpretation and administration of this [subtitle] TITLE with the related federal regulation.	2885 2886 2887 2888
REVISOR'S NOTE: This section presently appears as Art. 32A, §41. The catchline is changed to read "Uniformity of Interpretation."	2893 2894
Throughout this section the word "title" is substituted for the word "subtitle."	2898
No other changes are made.	2900
11-516. [(32A § 33). Crimes.] PENALTIES.	2904
(a) Penalties; defenses.	2906

Any person who willfully violates any provision of 2908
this [subtitle] TITLE except [§ 28] §11-503, or who 2909
willfully violates any rule or order under this 2910
[subtitle] TITLE, or who willfully violates [§ 28]
§11-503 knowing the statement made to be false or 2911
misleading in any material respect, [shall upon] ON 2912
conviction SHALL be fined not more than \$5,000 or
imprisoned, in the penitentiary or [such] other legal 2913
place of confinement as the court may determine, not more 2914
than three years, or both; but [no person may] A PERSON 2915
MAY NOT be imprisoned for the violation of any rule or
order if he proves that he had no knowledge of the rule 2916
or order. No indictment or information may be returned 2917
under this [subtitle] TITLE more than five years after 2918
the alleged violation.

(b) State's attorney to institute proceedings. 2920

The Commissioner may refer [such] evidence as is 2922
available concerning violations of this [subtitle] or of 2923
any rule or order [hereunder] UNDER THIS TITLE to the
State's attorney who may, with or without [such a] THE 2924
reference, institute the appropriate criminal proceedings 2925
under this [subtitle] TITLE.

(c) State's power to punish conduct not limited. 2927

Nothing in this [subtitle] TITLE limits the power of 2929
 the State to punish any person for any conduct which 2930
 constitutes a crime by statute or at common law. 2931

REVISOR'S NOTE: This section presently appears as 2936
 Art. 32A, §33. The catchline is changed to 2937
 read "Penalties."

In subsection (a) the phrase "on conviction 2941
 shall" is substituted for the phrase "shall 2942
 upon conviction"; the word "such" is deleted; 2943
 and the phrase "a person may not" is 2943
 substituted for the phrase "no person may."

In subsection (b) the word "such" is deleted; 2947
 the words "under this title" are substituted 2948
 for the word "hereunder"; and the word "the" 2949
 is substituted for the words "such a."

The internal cross references are conformed. 2953

Throughout this section the word "title" is 2958
 substituted for the word "subtitle."

The only other changes are in punctuation and 2962
 style.

71-517. [(32A § 42).] Short title. 2966

This [subtitle] TITLE may be cited as the Maryland 2968
 Securities Act.

REVISOR'S NOTE: This section presently appears as 2973
 Art. 32A, §42. Nomenclature is conformed.

[(32A § 43). Severability of provisions. 2976

If any provision of this subtitle or the 2978
 application thereof to any person or circumstance is held 2979
 invalid, the invalidity shall not affect other provisions 2980
 or applications of this subtitle which can be given 2981
 effect without the invalid provision or application, and

to this end the provisions of this subtitle are severable. 2982

REVISOR'S NOTE: This section presently appears as Art. 32A, §43, "Severability of Provisions." 2986
It is deleted because Art. 1, §21 of the Code 2987
(Ch. 241, Acts of 1973) provides that: "the 2988
provisions of all statutes enacted after July 1, 1973 are severable unless the statute 2989
specifically provides that its provisions are not severable..." thus, §43 is unnecessary.] 2990

GENERAL REVISOR'S NOTE: 2992

Sections 11-101 through 11-519 are drawn from Art. 2994
32A, §§ 13 through 44, The Uniform Securities Act. 2995
Section 43, "Severability of Provisions" is deleted 2996
because Art. 1, §21 of the Code (Ch. 241, Acts of 1973)
provides: "the provisions of all statutes enacted after 2997
July 1, 1973 are severable unless the statute 2998
specifically provides that its provisions are not
severable. / ." thus, §43 is unnecessary. For an 2999
overview of the Maryland Securities Act see Shapiro and 3000
Sachs, Blue Sky Law and Practice: An Overview, 4
U.Balt.L.Rev. 7 (1974). 3001